

Table with 4 columns: Country, Currency, Exchange Rate, and other financial indicators for various European nations.

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

NATO logo and text: 'The search for a long-term vision', 'Page 19', 'D 8523A'

No.30,803

Tuesday March 28 1989

D 8523A

World News: Ruling party in Turkey suffers poll defeat. Turkey's ruling Motherland Party (ANAP) is reeling from a resounding defeat in Sunday's local elections...

Business Summary: Telepoint set to break into West German phone market. Telepoint, the revolutionary pocket-phone system developed in the UK, looks set for a breakthrough in the West German market...

YELTSIN IN LANDSLIDE VICTORY ● CANDIDATE FOR POLITBURO REJECTED

Soviet voters snub leading figures in Party hierarchy. By Quentin Peel in Moscow. VOTERS OF the Soviet Union yesterday snubbed the leaders of the ruling Communist Party in their most democratic and dramatic elections since the 1917 Revolution.



Boris Yeltsin on his way to a landslide win in Moscow yesterday. According to an unofficial source, still to be confirmed, he won 54 per cent of the voters crossed out his name.

appear to have opted for independent candidates, nationalists or the most reformist members of the ruling party, wherever they had the chance. In the Baltic republics of Estonia, Latvia and Lithuania, the resurgent nationalist movements won substantial support for the candidates they had openly endorsed...

Fears grow in Europe over Brady plans

By Peter Norman, Economics Correspondent, in London. EUROPEAN monetary officials are increasingly concerned that recently unveiled US proposals for debt reduction supported by the International Monetary Fund and World Bank will produce only a small easing of the Third World debt crisis.

Alaskan oil spill: An investigation has been launched into the holding of the tanker Exxon Valdez in Alaska, as efforts to clean up damage resulting from one of the worst recorded US oil spills continue.

Thatcher in PLO call: UK Prime Minister Margaret Thatcher urged Israel to start talks with the Palestine Liberation Organisation, in a speech in Marrakech, Morocco, on the first leg of an African tour.

Israel shoots child: An Israeli policeman shot dead a four-year-old Palestinian boy after being stoned by Arab protesters on the occupied West Bank.

Ruling on Reagan: The judges in the Oliver North Iran-Contra trial in Washington rejected a motion to call Ronald Reagan as first defence witness but left open the possibility that the former president could be summoned later.

Scandal charges: Prosecutors filed bribery charges against Mr Hisashi Shimizu, the former chairman of Nippon Telegraph and Telephone, Japan's telecommunications concern and the world's most highly valued company.

Green Party row: A damaging row has erupted in West Germany's environmental Green Party over the alleged financial involvement of a key figure with one of its prominent deputies.

Gandhi suspicion: A secret report into Indian Prime Minister Indira Gandhi's assassination remains suspicious at a key aide who last month joined her son and successor as an adviser.

Yugoslav appeal: Communist party officials in the Yugoslav province of Kosovo appeal for an end to four days of rioting by ethnic Albanians.

Afghan offensive: Afghan guerrilla fighters have launched a new offensive on the besieged eastern city of Jalalabad in an attempt to block supply routes from Kabul.

Saudi-Iraqi pact: Saudi Arabia and Iraq signed a non-aggression pact in an apparent move to ease tension among conservative Arab Gulf states about Iraqi political ambitions after the Gulf war.

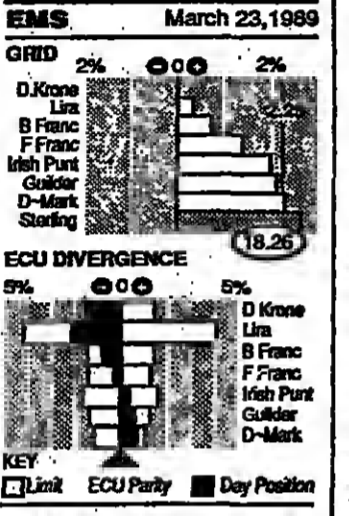
Jumbo alert: United Airlines jumbo jet flying 301 passengers to Honolulu was forced to return to New Zealand with engine problems.

Guatemalan kidnaps: Armed inmates held more than 500 women and children hostage after taking over a Guatemalan prison in a riot that killed 10 and injured 50.

Peru strike delay: Three-day strike by metal miners in Peru, set for this week, has been postponed. Union leaders will meet government officials today to seek a solution to pay demands.

Topless stoning: An Italian student stoned a woman sunbather to death after accusing her of indecency for going topless on a beach near Sardinia.

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Minorco presses Gold Fields bid

By Kenneth Gooding, Mining Correspondent, in London. MINORCO, the South African-controlled investment company, is pressing ahead with its \$22m (35.5m) hostile bid for Consolidated Gold Fields despite the US court injunction preventing it from buying any more shares in the UK diversified mining company.

that if a majority of Gold Fields shareholders clearly showed they wished to accept its offer, the Gold Fields board would be under intense pressure to co-operate and help remove the obstacles presented by the US court. Mr Keith Irons, Minorco's vice president, public affairs, said yesterday: 'Our bid is still on the table. Shareholders (in Gold Fields) can still accept it...'

Thursday, after news about the US injunction, by 188p to \$12.50 - 150p below the value of the Minorco offer. The South African-controlled group holds nearly 30 per cent of Gold Fields but won acceptance for only another 0.2 per cent by the first closing date of the current offer. Minorco made some slight progress yesterday in its attempts to have the US injunction removed. In New York, Judge Michael Mukasey, who first imposed it, agreed to consider one more written submission each - from Gold Fields on Friday and Minorco on Tuesday.

heimer's Anglo American Corporation of South Africa, control of 32.3 per cent of gold mining in the non-communist world. Minorco said from the outset that, if its bid succeeds, it would sell Gold Fields' 49 per cent shareholding in Newmont Mining, which is rapidly emerging as North America's biggest gold producer. Minorco told Judge Mukasey that it is willing to give a legally-binding undertaking to sell the Newmont shareholding in a reasonable time. In the interim, Minorco would take no part in Newmont's day-to-day operations. Minorco believes there is no guarantee the judge will give an opinion before the bid's final closing date.

US banks warn of retaliation over EC reciprocity test plans

By David Lascelles, Banking Editor, in London. AMERICA'S largest banks have warned the European Commission that the reciprocity provisions of the Commission's proposed banking directive risk provoking retaliatory action by the US against European Community banks operating in the US.

freedom of banks on their home territory. They argue that these restrictions are irrelevant to the reciprocity issue because they apply to all banks in the US, whether domestic or foreign. The association warns specifically that a reciprocity test would undermine competition within the EC and push up prices for financial services, which would affect the ability of EC cities to remain or become leading financial centres. The banks remind the Commission of the innovative role played in the European market by US banks, and their contribution to the growth of the Eurozone.

The submission has been sent to all leading officials in Brussels as well as to members of the European Parliament concerned with financial services legislation. Mr John Shome, association president, says in a covering note to Sir Leon Brittan, the Commission vice president and competition commissioner: 'We regard these proposals as potentially dangerous for the continuation of a close and mutually beneficial relationship between the financial services markets of the US and the EC.'

Sin is everywhere in Manila

In the Philippines, a country of 60m-plus people, where up to 85 per cent embrace Catholicism and 70 per cent live on or below the poverty line, the words of Jaime Cardinal Sin, Archbishop of Manila, have had an emphatic effect. Page 44

Management: Why product development is seen as a 'Smart' move

Management: Why product development is seen as a 'Smart' move. Page 14

Editorial comments: UK's runway dilemma; Mrs Thatcher in Africa

Editorial comments: UK's runway dilemma; Mrs Thatcher in Africa. Page 18

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OVERSEAS NEWS

Thatcher calls on Israel to start talks with PLO

THE Prime Minister last night urged Israel to start talks with the Palestine Liberation Organisation, agencies report. She told the royal banquet hosted in Marrakesh by King Hassan of Morocco that nothing was ever lost by exploring the views of one's opponents, adding: "That is an example from which Israel can learn."

El-Mahdi olive branch for rebels

SUDAN'S Prime Minister, Mr Sadeq el-Mahdi, whose new cabinet was sworn in at the weekend, yesterday appealed for an end to the country's five-year-old civil war and pledged to fulfil one of the southern rebels' conditions for peace by suspending punishments under Islamic Sharia law.

Khomeini talks prompt leadership doubts

FRESH uncertainty about the future leadership of Iran was provoked yesterday by news that Ayatollah Ruhollah Khomeini had held an hour-long meeting with a body appointed to choose his successor as Iran's spiritual leader. The Islamic Republic News Agency said the Ayatollah, now believed to be 85 and not in the best of health, met the Assembly of Experts on Sunday night for talks on the country's leadership.

Artillery barrages shake Beirut area

FIERCE artillery barrages shook Beirut and nearby mountains yesterday, sending Lebanese fleeing to shelters to escape the latest bombardment in which 74 people have been killed, Reuters reports from Beirut. Security sources said scores of shells pounded residential neighbourhoods in Christian east and Moslem west Beirut, as well as towns and villages in the mountains.

Moscow likely to warn Assad on Mideast

THE Soviet Defence Minister is expected to use a visit to Damascus this week to warn President Hafez al-Assad of Syria against relying on force to settle the Middle East conflict. Gen Dmitri Yazov was due in the Syrian capital last night on the first visit to the country by a Soviet defence minister since the early months of Mr Assad's rule in 1970.

Guatemala jail surrounded

Hundreds of police and soldiers surrounded Guatemala's largest prison yesterday after some 200 inmates took it over and held guards and Easter visitors hostage, officials said. AP reports from Guatemala City. Six people were reported killed in the takeover and about 20 wounded.



PLO sees 'progress' in US attitude

THE US showed cautious progress in its attitude to the Palestinian question during talks in Tunis last week, a PLO official said yesterday. He said the US hinted it was working for direct talks between the PLO and Israel, a step which Mr James Baker, the US Secretary of State, has already said Israel might have to take if it cannot find negotiating partners outside the organisation.

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FINANCIAL TIMES Published by the Financial Times (Group) Ltd., 10, Abchurch Lane, London EC4N 3DF. Telephone: 01-562 5000. Fax: 01-562 5001.

OVERSEAS NEWS

Leningrad boss comes last in a one-horse race

By James Blitz in Leningrad

THERE WAS one election result in Leningrad that the entire city was waiting for. It was the race in the Neva territorial constituency in the south-east of the city, between the First Secretary of the Leningrad Region and nobody else. Mr Yuri Solovyev, the party boss in Leningrad and a junior member of the Politburo, was the only candidate on the ballot paper on Sunday. But more telling than the figures was the fury. "One candidate on the ballot? Do you really call that an election?" said one woman as she walked into the street. "How could I vote for Solovyev? Look at the mess behind you," said another woman, pointing to a rubble-strewn park beside the polling station. "This first Secretary has done nothing. He's part of the old Romanov gang," said a taxi-driver in the constituency, hectoring him with the former Brezhnevite boss in Leningrad who is best remembered for borrowing Catherine the Great's dinner service from the Hermitage and smashing it. At the end of the campaign, the party was showing its nerves. On the front-page of Saturday's Leningrad Pravda, the local party paper, there was a blistering attack on the independent Democratic Union for its campaigning in the Neva constituency. "The organisation hasn't got in its soul anything concrete, factual and serious with which to correct the problems of our country," the writer argued. His piece sat alongside Mr Solovyev's, published programme which are vaguely tolerated by the party. "You know what to do when you get to the ballot box," barked Mr Valery Terekhov of the Democratic Union on polling day, at a man on other end of the telephone. "Strike his name out." That has been the tactic: "If enough people turn up and cross out his name, Solovyev will fail to get the 50 per cent of the total vote needed to be elected," says Mr Terekhov. "And he's a big fish." By close of poll on Sunday, there were strong indications that the First Secretary was in trouble. The trend had been clear outside one polling station earlier on Sunday afternoon: of 20 people asked how they had just voted, 16 said they struck out the name and only four said they had voted for the First Secretary.

Voters back Boris the Unstoppable

Quentin Peel tells of a message from the Moscow polling booths

Voter after voter emerging from the polling booths in Moscow told the same story: "I voted for Yeltsin, of course." It was as if even to ask the question was superfluous. The only doubt was whether the result would be rigged against him, or not. In the event, there was no way it could be. With more than 5.1m votes in his favour, or 89.4 per cent of the vote, Mr Boris Yeltsin, the disgraced former leader of the Moscow Communist Party, once a candidate member of the Politburo, was unstoppable. In Britain, his opponent Mr Yevgeny Brakov, manager of the giant Zil car factory, would have lost his deposit. Mr Yeltsin's result was the most startling manifestation of a backlash across the country against Communist Party bureaucrats, even where they were standing unopposed. So why the landslide, and what does it mean? Perhaps the key question is will it make Mr Mikhail Gorbachev, the Soviet leader, happy, or will it be a profound embarrassment for him? The most revealing meeting of the Yeltsin campaign took place outside the Lenin stadium in Moscow on Saturday afternoon, on the eve of the poll. It was nothing like the size of the huge demonstrations that have taken place in the Baltic republics and in Armenia and Georgia in the south, where hundreds of thousands have jammed the streets. But some 20,000 people gathered for an unofficial political meeting in Moscow is still unprecedented in recent years. What was obvious was that Mr Yeltsin has attracted a coalition of opposition forces ranging from the social democrats of the Democratic Union, through a semi-nationalist Russian Popular Front, to the radical left wing of the Communist Party itself. Not only that, but he and his supporters openly announced what was effectively a "Yeltsin slate" of candidates in half the seats of Moscow, including all the most outspoken reformers. Yesterday it became clear that many had won, or forced a second ballot, on the back of the Yeltsin landslide. A crucial factor in his success was the fact that he is seen to be persecuted by his former colleagues: the announcement that the Central Committee of the Communist Party was investigating his speeches brought a huge upsurge in popular support for him. His campaign against the privileges of the party leadership has also touched a chord in the population, battered by interminable shortages and deeply resentful of those seen

Ukrainian journalist triumphs over party

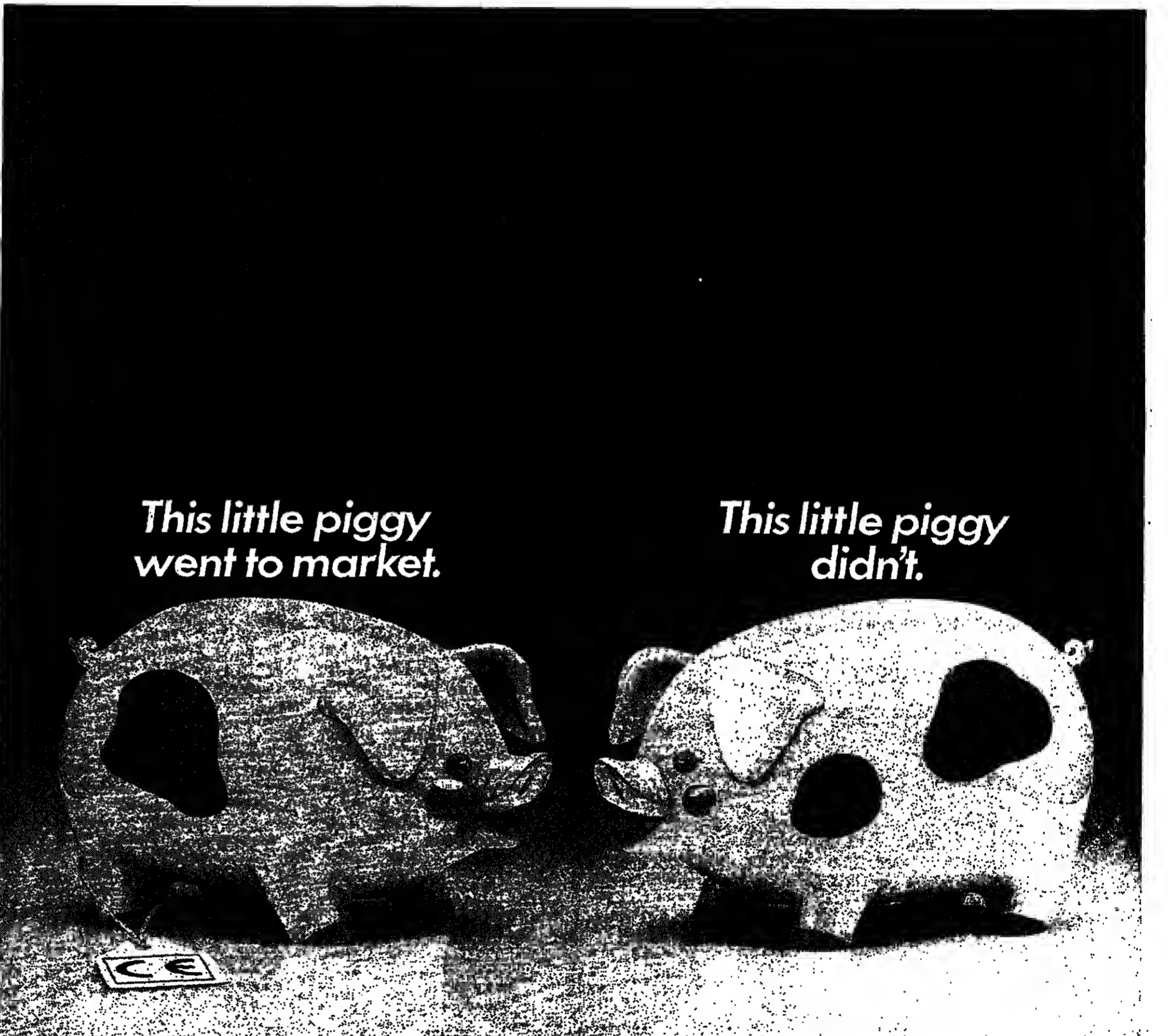
A CRUSADING journalist trounced four members of the Communist Party in the Soviet parliamentary election, sweeping to victory after overcoming attempts by local authorities to keep her off the ballot. Ms Alla Yaroshinskaya, 35, whose articles on public housing mismanagement offended officials in Zhitomir, won 90.4 per cent of the vote in the provincial Ukrainian city. She was the only one of the five candidates who was not a party member. In nearby Lvov, thousands of ballots were declared invalid and no one won a majority in two districts after human rights and cultural activists protesting against election procedures called on voters to spoil their ballots or vote against everyone. Ms Yaroshinskaya, reached by telephone at her campaign headquarters in Zhitomir, said the vote for her reflected dissatisfaction with the local government she had criticised in her articles. She said: "I was the candidate of the people. The people did not want someone who would be the arm of the authorities." In Lvov, 200 miles west, election commission secretary Adam Martynuk said the city would call new elections in two districts where no candidate won an overall majority on Sunday. A local cultural association said the result was a victory for its appeal to residents to protest at undemocratic election procedures by voting against everyone on the ballot. "We declared these elections anti-democratic," said Mr Orest Sheika of the Lion Society, a group formed in 1987 to preserve Ukrainian culture. "It looks like we were successful." In the Ukrainian capital Kiev, the local Communist Party chief and mayor lost Sunday's elections even though they had stood unopposed, local sources said. Nationalist movements won huge public support in the first multi-candidate general elections since the three Baltic republics were incorporated into the Soviet Union. The Communist Party leaders of all three republics won election but provisional figures released yesterday showed many members of their governments and ruling Communist Parties defeated. The voting demonstrated the strength of nationalist opinion in the three republics, which were absorbed into the Soviet Union in 1940. The election campaign in the Baltics came closest to the party-based campaigns of the West and in varying degrees brought the movements into conflict with officials.

Bid to end farm trade impasse in final phase

By William Dullforce in Geneva

EFFORTS TO break the deadlock over world farm trade and put the Uruguay Round of trade-liberalising negotiations back on the rails enter a hectic final phase this week, with key trading nations still reporting wide disagreement on how to proceed. A US official said Washington "had problems" with all the working papers tabled last week by Mr Arthur Dunkel, Director-General of the General Agreement on Tariffs and Trade, as bases for compromise in four key issues. Preliminary remarks on the Dunkel document from European officials showed important variations in attitudes among the 12 members of the European Community. Ambassadors among the Cairns group of 13 farm exporter countries stressed the group had firmly resolved, at a meeting in New Zealand on March 17, not to accept any agreement on agriculture that did not meet their minimum demands. The five Latin American members of this group blocked agreements on 11 issues - including crucial ones on services, tropical products and improvements to the functioning of Gatt - at the trade ministers' review of the Uruguay Round in Montreal in December. Their rebellion was prompted by the failure of the US and the EC to resolve their deadlock over farm trade reform. Mr Dunkel was appointed by the trade ministers after the failure in Montreal to mediate on the four outstanding items - agriculture, intellectual property rights, textiles, and the safeguards which governments can temporarily apply against sudden surges of imports. His working papers - the result of his consultations in Washington, Brussels, Tokyo and several other key capitals,

including New Delhi and Buenos Aires, where he met the Latin American ministers - aim to accelerate the final deliberations in Geneva. Last week, he told heads of delegations to Gatt that he had not detected "the degree of movement necessary" among governments, and warned that little time was left to find compromises before the decisive meeting on April 5 of the Uruguay Round trade negotiations committee. Six of the 12 pages of Mr Dunkel's working papers cover agriculture. They foreshadow a compromise, which has been taking shape in bilateral US-EC talks, over Washington's demand that the long-term objective for farm trade reform should be the elimination of all trade-distorting farm subsidies and other supports within a fixed period. The objective in Mr Dunkel's formulation would be "substantial progressive reductions... sustained over an agreed period of time". It is generally believed the US and the EC will accept this compromise. Other proposals in the paper on agriculture remain controversial. Mr Dunkel would give "credit" in implementing reforms for measures taken since the Uruguay Round was launched in 1986, but the US and other countries oppose the EC's demand that the base year for assessing credit should be 1984. US officials considered Mr Dunkel's paper did not go far enough to meet their latest demand that all barriers to farm trade be converted into tariffs, a proposal which the EC has seen as threatening the heart of its common agricultural policy. Cairns group ambassadors object that the short-term measures evoked concentrate almost exclusively on freezing supports at their current levels and ignore earlier proposals for cuts.



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Advertisement for Shangri-La International. Features a logo with a mountain and trees, the text 'IN BEIJING WHERE ELSE BUT THE SHANGRI-LA The finest name in China's capital city.', and the 'Shangri-La hotel' logo. Contact information for London and Germany is provided at the bottom.

OVERSEAS NEWS

Kohl under pressure from party squabbles and poll

By David Marsh in Bonn

MR Helmut Kohl, the West German Chancellor, faces more problems keeping his grip after fresh squabbling within his Christian Democratic party (CDU) and publication of a poll that showed nearly two thirds of the electorate want him to quit.

Under pressure after a run of regional electoral setbacks for his centre-right coalition, Mr Kohl is considering, during his Easter holiday, a cabinet reshuffle for next month. However, doubts have arisen over whether he will be able to change his Government with the necessary decisiveness to improve his party's chances much in the general election in December next year.

Mr Kohl was also drawn into a bitter dispute at the weekend over a call, backed by a trade union, for young people to refuse conscription by the armed forces. The episode illustrates the mood of German

pacifism which, like rising resentment over immigration, is a growing electoral headache for the government.

Mr Kohl called a "scandal" the declaration by the German Peace Movement and the youth section of the powerful I G Metall metalworkers' union that young people should oppose conscription on the grounds of conscience. The number of conscientious objectors has risen rapidly over the past year and now makes up about one in eight of all young men of call-up age.

Mr Rupert Scholz, Defence Minister, who is also under strain because of political campaigns against Nato's low-flying and troop manoeuvres, said he was shocked by the declaration. I G Metall said the initiative was not approved by the union's leaders but Mr Kohl called it an attack on the democratic foundations of the federal armed forces.

In the latest sign of his personal unpopularity, 64 per cent of people interviewed in a poll, published in the Welt am Sonntag newspaper, said they wanted Mr Kohl to step down. Nearly half said they favoured his displacement by Mr Lothar Späth, Christian Democratic Prime Minister of Baden-Württemberg state and the only leading CDU figure to have emerged unscathed from the party's recent election misfortunes.

Two of Mr Kohl's erstwhile rivals among the Christian Democrats, meanwhile, waded into the fray over the party's future.

Mr Rainer Barzel, a former party chairman, said the Government's immigration policies had failed to take account of the "little man" while Mr Kurt Biedenkopf, a former general-secretary, launched a new attack on Mr Kohl's social policies.

Greens man in row over 'links with Libya'

By David Marsh

A DAMAGING row has erupted in West Germany's Greens ecology party over the alleged financial involvement with Libya of a prominent Green deputy, Mr Alfred Mechttersheimer, who is also a leading figure in the country's "peace movement".

Mr Mechttersheimer, 49, a former Bundeswehr officer who is now a well-known campaigner against Germany's military links with Nato, admitted in a radio interview over the weekend that he had accepted an offer from Tripoli to participate in a Libyan foundation based in Mechttersheimer.

This followed a front page story on Saturday in the Süddeutsche Zeitung, one of West Germany's leading newspapers, saying Mr Mechttersheimer had been engaged by Col Muammar Gaddafi, the Libyan leader, to promote Tripoli's views in the West.

The newspaper said Mr Mechttersheimer was present last December in Zurich at the first meeting of the foundation's board, which it said was backed by \$10m in Libyan funds. Mr Mechttersheimer denied over the weekend having personally received any Libyan money.

Greens deputies said party leaders would meet Mr Mechttersheimer shortly to discuss the "very serious" allegations. Mr Mechttersheimer is not a member of the Greens Party but sits in the Bundestag as a member of the Greens parliamentary grouping.

He has had links with Libya going back several years, and runs a "peace institute" in southern Germany which has run newspaper advertisements against low-flying by Nato aircraft across West Germany.

Mr Mechttersheimer told the Süddeutsche Zeitung that he was playing only an advisory role in the foundation. The newspaper said Libya had placed \$10m in a Swiss bank account to finance the foundation and other activities. Mr Mechttersheimer told the paper that he could not deny that the money had been paid over, but did not say who had access to it.

Tighter EC policy on contracts planned

By William Dawkins in Brussels

THE European Commission aims by the autumn to complete its legislative campaign to curb national favoritism in the Ecu 400bn (225bn) public procurement market.

It plans to table by then three proposals to boost free competition for different types of publicly awarded contracts, to add to the five now in varying stages of agreement. Officials are now in the early stages of drafting a plan to extend existing EC open procurement rules to services, such as civil engineering, architecture, software and consultancy, as provided to public authorities.

A second companion scheme would apply to such services as used by companies that are either owned or heavily influenced by governments.

The Commission aims soon to start drafting the third proposal, to tighten the enforcement of free cross-border bidding procedures for state-owned companies. A related plan, tabled last year, to tighten the enforcement of free tendering rules for public authorities has run into serious objections from EC governments, which the Commission wants to resolve before starting work on enforcement of open tendering by state-owned companies.

All three of the forthcoming measures will head EC member states' approval to become law. Of the rest of the Commission's public purchasing programme, free cross-border tendering rules for most public supplies contracts took effect in January, due to be followed by a parallel scheme for public works and construction in mid-1990.

Two further directives, to

extend free cross-border bidding rules to the formerly excluded sensitive sectors of energy, transport, telecommunications and water, were tabled last October and are now being debated by EC governments.

The directives on the so-called "excluded sectors" have attracted instant resistance from the normally free-trade minded UK, on the grounds that it does not want to impose free tendering rules on North Sea oil and gas exploration.

More than 80 per cent of contracts for prospecting and extraction in the UK sector of the North Sea - the biggest - go to British suppliers, who fear the Commission's plan is a recipe for costly disruption.

The directive on tighter enforcement of free cross-border tendering for public

authorities aims to make it easier for aggrieved bidders to get quick redress in national courts, rather than having to stand in a three-year queue for a decision at the European Court of Justice in Luxembourg. While that idea has general support among the 12, they unanimously oppose a clause that would give the Commission the unilateral right to suspend unfairly awarded contracts.

Brussels will table the related enforcement scheme for public companies only after that controversy has been resolved in meetings with national officials in the next few months.

One possible solution being canvassed in the Commission would be to allow Brussels to request governments to suspend such contracts on its behalf.

W Germany and France act to bridge gaps on arms control

By David Marsh

FRANCE and West Germany are intensifying efforts to end their divergences over arms control, which could have a crucial bearing on Nato's position in disarmament negotiations with the Warsaw Pact.

Mr Roland Dumas, French Foreign Minister, will be in Bonn on Friday for talks with his German counterpart Mr Hans-Dietrich Genscher. They will exchange protocols to the 1963 Elysée Treaty that set up the Defence and Finance Councils linking the two countries. Mr Helmut Kohl, West German Chancellor, will meet President François Mitterrand on April 4 in Bavaria. Attempts to harmonise security policies are expected to be high on the agenda at both meetings.

France backs the Bonn Government's bid to delay a decision on bringing in new nuclear weapons in place of the short-range US Lance missiles deployed in West Germany. Bonn's Foreign

Ministry denied at the weekend reports from Brussels that Nato had now agreed to develop a weapon to succeed Lance.

Mr Kohl said last month that Bonn sees no need for a decision until 1991-92 - a position broadly agreed by France.

On the other hand, Paris is making clear its disagreement with Bonn's wish for early negotiations with the Soviet Union on cutting stocks of short-range missiles in western Europe. The French Government, which wants to maintain a role for its own shorter-range nuclear weapons, believes any such negotiations could jeopardise France's own security priorities.

Mr Dumas this month irritated the Bonn Government by suggesting "special treatment" for Germany in East-West conventional force disarmament.

The foreign ministries in Bonn and Paris have gone out of their way to play down

differences over the affair. But a speech by Mr Dumas at the Vienna conventional arms stability talks inflamed sensitivities in Bonn. He hinted that East and West Germany, with other countries nearer the East-West front line, such as the Benelux states, might be singled out as zones of reduced security in talks on reducing conventional arsenals.

West Germany wants to avoid seeing troops and tanks reduced on German soil but left intact in countries, such as Britain and France, further away from the East-West divide. Differential treatment, which France has said it wants to avoid, would indicate to many Germans that Nato allies still see the federal republic as a "glacis" or buffer zone between the two military blocs.

French officials term German fears of discriminatory treatment "irrational", but admit that Mr Dumas's Vienna speech should have been more carefully phrased.

Police chief dies as new Kosovo riots flare

GUNFIRE erupted yesterday on the outskirts of Pristina, the capital of Yugoslavia's Kosovo province, as rioters battled police residents in the area, said Reuters reports from Pristina.

The residents, who reported hearing the gunfire, said it sounded as though it came from automatic weapons.

Earlier, a municipal police chief was shot dead and four other people were wounded in rioting in the small Kosovo town of Podujevo, 120 miles south of Belgrade.

Police said the police chief, Mr Jetullah Kuchi, was shot as 10,000 rioters rampaged through Podujevo in a protest against new rules that curb the autonomy of a province mainly peopled by ethnic Albanians.

Riots have erupted in several towns across Kosovo in the fifth day of increasingly bloody protests against moves that limit the impoverished southern region's autonomy. The new measures give greater power over the province to Serbia, the largest of Yugoslavia's six republics.

The new violence was the worst in Yugoslavia since at least nine people died in separatist riots in Kosovo in 1981.

As well as the fatal shooting, three civilians were wounded and another policeman, Mr

Solidarity call for wage-price indexing raises inflation fears

By Christopher Sobinski in Warsaw

POLAND'S Banking Gazette has opposed proposals for an index link of wages to prices, forced on the Government by the Solidarity trade union.

The paper's remarks echo warnings from free-market liberals and Poland's small private sector that indexation will accelerate inflation, which already promises to exceed 100 per cent this year.

At the round-table talks, which are due to close on April 3, Solidarity countered government resistance to indexation by making it a condition of

signing a political pact with the authorities.

Under the planned agreement, Solidarity, banned in 1981, is to regain its legal status in return for promising to eschew a boycott of elections in June and to play a minority role in the next parliament.

The Gazette said: "Our country's interests went unrepresented at the round-table. No one there was willing to admit that indexation would accelerate inflation and complete the disintegration of our economic mechanism."

WORLD ECONOMIC INDICATORS						
INDUSTRIAL PRODUCTION (1985 = 100)						
	Feb '89	Jan '89	Dec '88	Nov '88	Jan '88	% change over previous year
US	114.0	114.0	113.6	108.6	108.6	+5.0
UK	109.1	110.4	111.3	108.2	108.2	+0.8
Japan	118.1	118.0	116.9	108.7	108.7	+9.2
W Germany	110.8	109.2	107.4	108.2	108.2	+5.3
France	108.8	110.6	108.4	105.1	105.1	+4.3
Netherlands	108.9	112.0	113.0	107.9	107.9	+8.9

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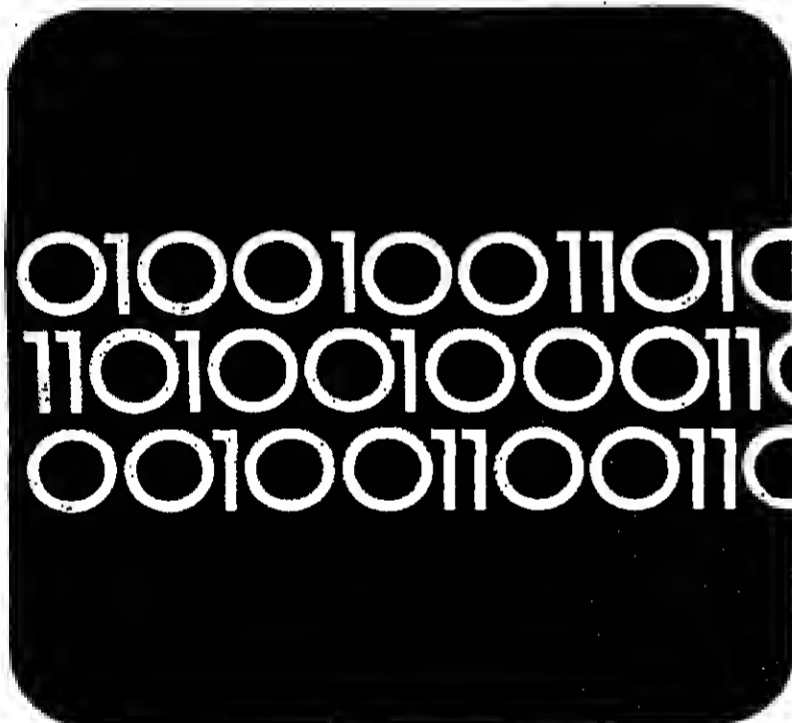
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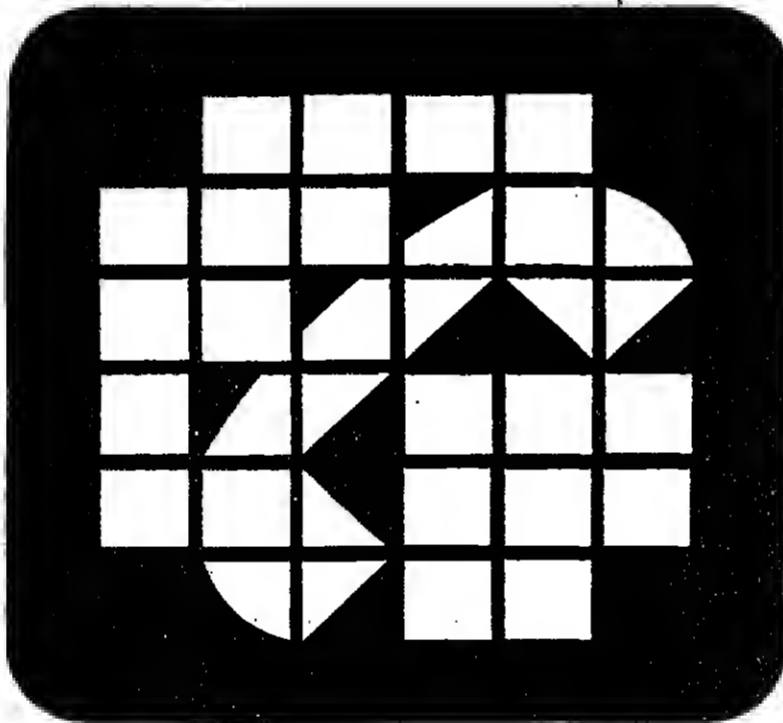
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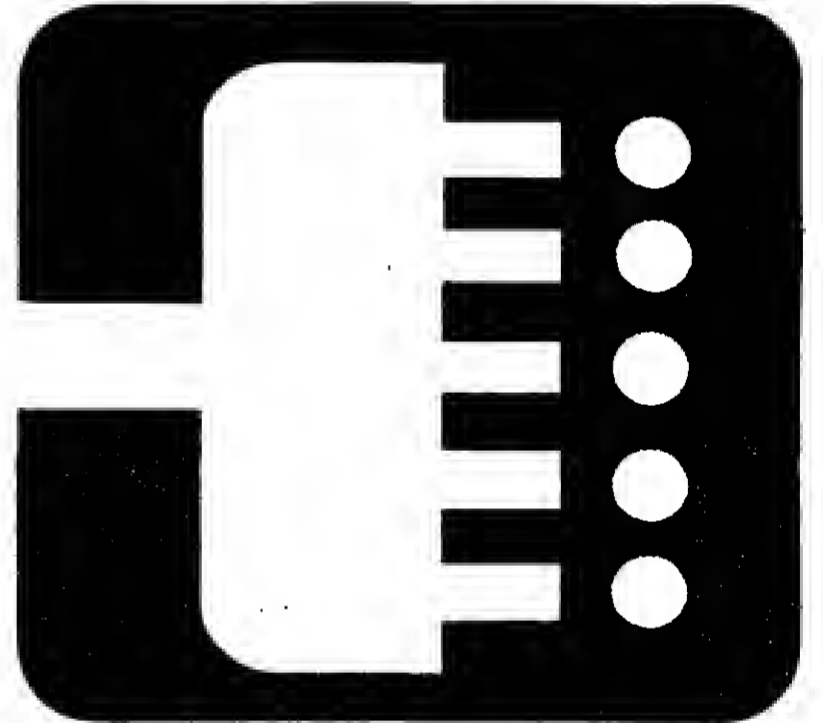
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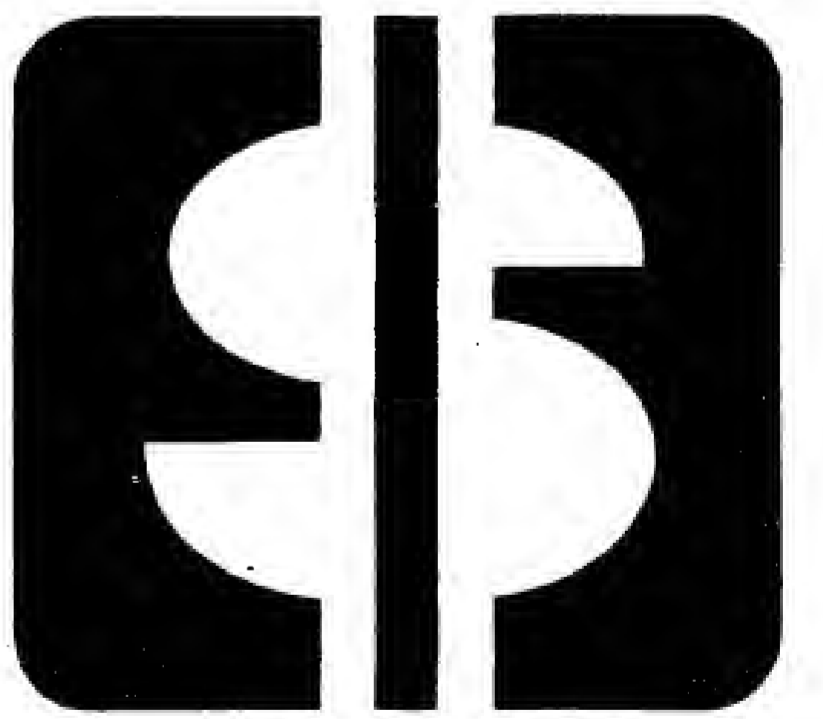
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OVERSEAS NEWS

Howe flies in to Pakistan protest over Rushdie

By Christina Lamb in Islamabad

SIR Geoffrey Howe, the British Foreign Secretary, has arrived in Islamabad for his first official visit to Pakistan under its new democratic government. He was met at the airport by religious and political leaders demanding a ban on the publication of *The Satanic Verses*, the novel by the British author Salman Rushdie, which is considered blasphemous by Muslims.

Demonstrations planned by these leaders - and widely advertised in newspapers and during mosque prayers - were banned by the government because of security fears. Barricades were mounted near the airport and troops and riot police lined the streets. Last month seven people were killed in protests against the book in Islamabad. Ms Benazir Bhutto, the Pakistan Prime Minister, in a sensitive position as the first woman to head an Islamic state, insisted that those riots, which occurred while she was out of the country, were a "plot to destabilise the government," but the organisers insist it had nothing to do with politics. An inquiry is under way. Sir Geoffrey's visit, for his first talks with the Bhutto government, was shortened to 26 hours instead of the planned three days because of security fears. On his arrival, he was presented with a letter from seven mullahs urging the British government "to pass a law to provide stern punishment to those who injure sentiments of Muslims." They termed publication of *The Satanic Verses* "an act of war against the Moslem world." Afterwards Maulana Fazlur Rehman, a member of the national assembly and leader of an influential religious party, said: "Sir Geoffrey is being sympathetic and promised to look into the possibility of amending British law to give equal rights to Muslims and Christians."

Sir Geoffrey will hold talks with Ms Bhutto, Ghulam Ishaq Khan, the President, and Yaqub Khan, the Foreign Minister. Britain is the largest for-

est investor in Pakistan and talks are likely to focus on British economic aid. Sir Geoffrey is expected to support Ms Bhutto's wish to take Pakistan back into the Commonwealth. Her father, the late Prime Minister Zulfikar Ali Bhutto, took Pakistan out of the Commonwealth in 1974.

It is thought that with improved relations between India and Pakistan, India will no longer veto re-entry. Afghanistan is also expected to be high on the agenda of talks. Before leaving for India, Sir Geoffrey will meet Sibghatullah Mujahideen, president of the newly-formed Mujahideen Interim Afghan government, who will press for British recognition. So far, only three countries have afforded recognition.

Pakistan has asked a Western aid consortium for \$3bn (£1.6bn) in assistance for fiscal 1989-90, in order to implement proposed development plans of its new democratically-elected government. The World Bank-sponsored consortium is scheduled to meet in Paris on April 19-20 to pledge assistance for the fiscal year which starts on July 1. Last year, Pakistan received more than the \$2.5bn in assistance pledged by the consortium. The actual amount committed by various members such as Japan, France, the Asian Development Bank and the World Bank came to \$2.7bn. The new government is hoping to get a sympathetic hearing at the consortium meeting and cash in on international goodwill for Pakistan's recent transition to democracy. The money is badly needed. Ms Bhutto has said: "We inherited an economy in a shambles." Foreign exchange reserves, though still low, have improved, standing at \$550m - compared with only \$150m a few months ago. However, exports have been lower than expected and Finance Ministry officials admit that the recent fall in the rupee is partly due to money being printed to pay government wages.

Guerrillas launch new assault on Jalalabad

By Christina Lamb, recently in Peshawar

AFGHAN guerrilla fighters have launched a new offensive on the besieged eastern city of Jalalabad in an attempt to block supply routes from Kabul.

Locked into their fourth week of battle for control of the city of Jalalabad, they claim that the bombing which has prevented their advance and inflicted heavy casualties is being done by Indian pilots. Abdul Haq, a Kabul commander reputed to have an extensive intelligence network within President Najibullah's regime, alleges that 600 Indian military advisers, including 60 Sikh security guards, have been flown to Kabul for joint aerial operations against Mujahideen guerrillas in and around Jalalabad.

He says they are based at Tabnikum technical school in the northern stronghold of Mazar-i-Sharif.

Observers are sceptical that India would risk the political consequences of one of their pilots being shot down, particularly now that Delhi's relations with Pakistan have improved. However, they admit that the pilots flying around Jalalabad have been using new formations, showing greater skill and bravery than usual from the Afghan air force. The high offensive launched on March 6 by the Mujahideen against Jalalabad, is described by Western diplomats in Islamabad as "getting nowhere fast". Having failed to make headway from the south-east, the attack has shifted to the north and west in an attempt to cut the road to Kabul, the regime's supply route. Kabul officials admit the Mujahideen have blown up a bridge near Sairobi, halfway along the 75-mile paved road between Kabul and Jalalabad. However, they claim three unpowered rafts remain open to military convoys. Supplies continue to arrive by helicopter. Mohammed Hussain, a resistance commander, blamed the lack of united Mujahideen command and the concentration of the Kabul regime's militia for the high number of resistance casualties.

India takes hard line on treaties with Nepal

INDIA IS baulking at renewing two trade treaties with Nepal, as a signal to its neighbours that they must reciprocate if they want trade favours, Reuters reports from New Delhi. India last Thursday closed 13 of 15 transit points, through which landlocked Nepal conducts the bulk of its trade, on the expiry of 10-year-old trade and transit treaties.

Nepal has lost its favoured treatment under the treaties, although the flow of people across the border is unaffected. Petrol is already rationed in the mountain kingdom.

"The message is: Be pre-

pared to reciprocate if you want special privileges," India's external affairs spokesman said.

Diplomatic sources said the new approach is part of a review of India's south Asian policy, aimed to make Mr Rajiv Gandhi, the Prime Minister, look tough in dealing with neighbours - including Nepal and Pakistan - in a year when he must call a general election. The Nepal issue also puts at stake the future of the South Asian Association of Regional Co-operation, made up of Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, the Mal-

dives and India. An Indian diplomat said that India was the linchpin of this association. The grouping needed India more than India needed such an organisation, which "makes us give economic concessions to smaller neighbours."

That issue is at the heart of the dispute with Nepal. On the surface, India demands unification of the trade and transit pacts to correct what it calls a one-sided arrangement. Nepal wants them kept separate, arguing that access to seaports for landlocked nations

should be a permanent right. The deeper conflict between the countries, though, is Nepal's growing closeness with China, highlighted by Katmandu's recent purchases of Chinese weapons, diplomats said.

India, which fought China in 1962, regards the weapons deal, and the building of a road to link the Chinese region of Tibet to the India-Nepal border, as a security threat that jeopardised Nepal's role as a buffer state. Nepal relies on India for almost half its total imports and has 6m people working in

India. India clearly wants Katmandu to put India first. The Nepal issue would be the first step in reasserting India's status in the South Asian Association, diplomatic sources said. India is expected to adopt a similarly tough line in dealings with Bangladesh. Bangladesh was closely allied to India when it came into being in 1971 after an Indo-Pakistan war. But relations with India have soured over the sharing of waters of the Brahmaputra river.

Call for fresh inquiry into Gandhi murder

By K.K. Sharma in New Delhi

A SPECIAL commissioner appointed to inquire into the assassination of Mrs Indira Gandhi, India's previous Prime Minister, by her Sikh security guards in October 1984 has asked for an investigation of his finding that "there are reasonable grounds to suspect the involvement of Mr R K Dhawan in the crime". A special team that inquired, meanwhile, into the charge against Mr Dhawan, then one of Mrs Gandhi's principal aides, had concluded that he "had no hand in the conspiracy for the assassination of the then Prime Minister, and that there is nothing to indicate that Mr Dhawan was, in any

way, involved in the crime or conspiracy".

The request for a further investigation regarding Mr Dhawan was revealed in a brief synopsis of the report by Mr Justice Thakkar, the commissioner, and in a note on the action taken on his recommendations, made available to the news media after his voluminous report had been presented to the Indian Parliament by Mr Buta Singh, Home Minister, yesterday. The government gave no reason for not making the full report available to the media. The report was presented to Parliament in fulfilment of an assurance given by Mr Rajiv

Gandhi, Prime Minister and Mrs Gandhi's son, before it took a short recess 10 days ago. The assurance was given after a political storm had rocked Parliament when allegations against Mr Dhawan were published by the Indian Express newspaper three weeks ago.

Mr Dhawan was recently reinstated by Mr Gandhi as one of his main aides. Having been under a cloud for nearly four years after Mrs Gandhi's assassination, he is now, as he was when helping Mr Gandhi's mother, one of the main political aides in the premier's office. The synopsis made available to the media says that the com-

missioner believes the assassination of Mrs Gandhi could have been averted if officials concerned with her security had done their job properly.

The opposition yesterday made clear it will seek a debate on the commissioner's report - and its representatives will attack Mr Gandhi and Mr Dhawan again - but the publication of the secret report has eased much of the political embarrassment to the prime minister created by leakage of allegations against Mr Dhawan this month.

If the report is published then, the embarrassment could have been nipped in the bud.

Singapore's foreigners flee cane

By Roger Matthews in Singapore

THE Singapore government's threat to cane and imprison foreigners who are in the country illegally has provoked an extraordinary exodus of workers, mainly Thais. Up to 10,000 may have been repatriated by next weekend. Thousands were again camped in the grounds of the Thai embassy here yesterday, as officials struggled to provide documentation and transport for them to beat the deadline on Friday. New legislation by the Singapore Parliament allows for a minimum three strokes of the cane and at least three months in jail for foreigners who have overstayed their work permit or entered the country illegally. Land, sea and air transport is being used to get the workers out. Special trains will carry up to 4,000 north, and thousands more will go on four Thai navy ships expected to arrive today. Hundreds more are leaving daily by bus. Thai diplomats said aircraft will also be chartered if necessary. More than 3,000 workers had already left Singapore, a further 5,000 were preparing to go, and it was forecast that at least another 2,000 would register to leave by the end of the week. Many of the departing workers are illiterate and were smuggled into Singapore by local agents working with Thai counterparts. They were employed mainly in the construction industry.

Brady Plan move for Japan banks

By Ian Rodger in Tokyo

THE Japanese Ministry of Finance "will be prepared to study" requests by Japanese banks for tax relief or accounting rule changes that would induce them to enter debt reduction schemes for developing countries under the Brady plan. Mr Toyoo Gyohten, Japan's Vice-Minister of Finance, said in Tokyo yesterday. It would be up to the individual banks and debtor-countries to work out plans on a case-by-case basis. "I envisage that Japanese banks may come up with proposals for more flexible treatment on accounting rules and taxation, and we will be prepared to study that," he said. This was a warmer reception to the idea of tax and other

concessions than Ministry officials indicated last week after Mr Nicholas Brady, US Treasury Secretary, revealed his proposals for dealing with the problems of the most heavily indebted developing countries.

Japanese banks are second only to the US in their loans to developing countries - now totalling about \$80bn (\$48bn) - but Ministry regulations covering lending to problem countries are much tougher than those in the US or Europe.

For example, only 1 per cent of provisions for bad debts to them can be deducted annually from tax. Thus, they have little incentive to write off old loans or to make new ones. The Ministry's National Tax Agency, which is likely to take

a less enthusiastic view of the Brady plan than Mr Gyohten, also makes it difficult for Japanese banks to engage in developing-country debt sales at discounts and debt for equity swaps.

Japanese banks set up a factoring company in the Cayman Islands two years ago to buy their developing-country debts at a discount. But the Ministry has so far allowed them to sell only limited amounts of Mexican and Brazilian debt.

Mr Gyohten said the Ministry would also be "quite prepared to study" requests to enlarge that facility. Japan was supportive of the Brady proposals and was already working with other governments to refine the scheme.

NTT's ex-chief on bribe charge

By Stefan Wagstyl in Tokyo

PROSECUTORS yesterday filed bribery charges against Mr Hisashi Shinto, the former chairman of Nippon Telegraph and Telephone, Japan's telecommunications concern, in Japan's widening stock-trading scandal. Mr Shinto was charged with accepting bribes in the form of shares from Recruit, the business information company, in return for helping Recruit set up a new business to lease telephone circuits. According to the indictment, Mr Shinto also helped Recruit buy a US-made supercomputer. Mr Hiromasa Ezoe, former chairman of Recruit, and Mr Hiroshi Kobayashi, an associate, were charged with offering the bribes to Mr Shinto.

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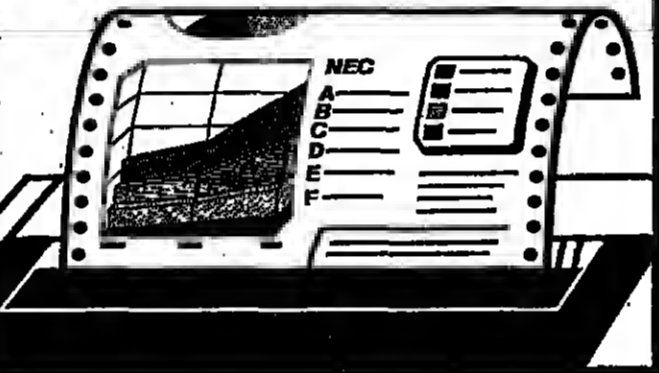
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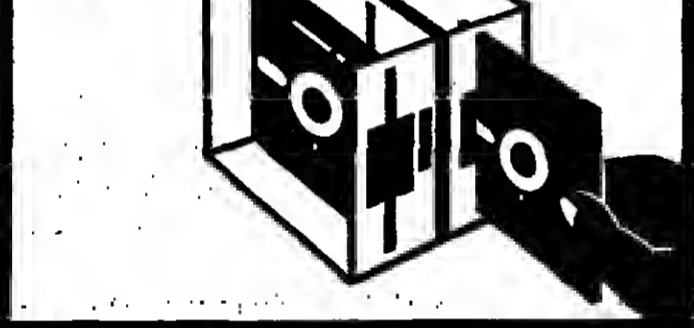
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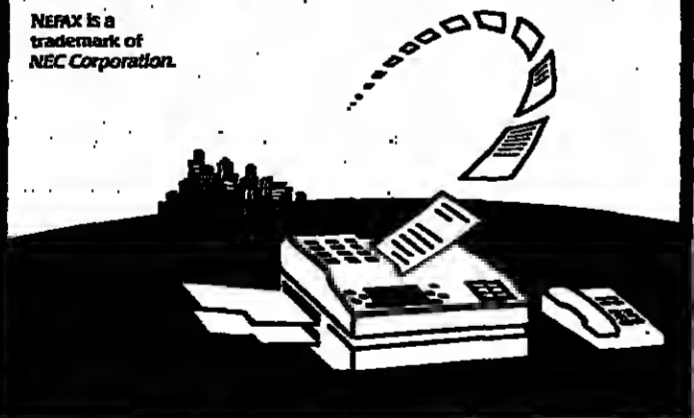
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To the Shareholders in Nordisk Gentofte A/S

The Annual General Meeting of the Company will be held on Thursday, 20th April, 1989, at 4.30 p.m. in the Auditorium Nils Steensens Vej 6 DK-2820 Gentofte

with the following Agenda:

1. The Board of Directors' report on the Company's activities during the past year.
2. Proposal from the Board of Directors for amendment of the Articles of Association's §28, Clause 1, to the effect that the Company's financial year - subject to the final adoption of the proposed merger of item 5 - will be the calendar year for the financial year 1988, however, the period 1st April through 31st December, 1988.
- 3a. Presentation of the annual accounts for the financial year 1st April through 31st December, 1988, including profit and loss account and balance sheet, with annual report and auditors' certificate with the proposal - in the event that the merger of item 5, is effectuated - for adoption of the profit and loss account and balance sheet and notification of discharge to the Board of Directors and Management.
- 3b. Presentation of the annual accounts for the financial year 1st April, 1988, through 31st March, 1989, including profit and loss account and balance sheet, with annual report and auditors' certificate with the proposal - in the event that the merger of item 5, is not effectuated - for adoption of the profit and loss account and balance sheet and notification of discharge to the Board of Directors and Management.
- 4a. Proposal for appropriation of the year's profit in accordance with the annual accounts mentioned under item 3a, including fixation of the dividend. The Board of Directors propose that a proportionate dividend for the period 1st April through 31st December, 1988, is paid with a dividend percentage of 10 for the full year, thus the proportionate dividend being fixed at 7.5 per cent.
- 4b. Proposal for appropriation of the year's profit in accordance with the annual accounts mentioned under item 3b, including fixation of the dividend. The Board of Directors propose that a dividend of 10 per cent is paid for the financial year 1st April, 1988 through 31st March, 1989.
5. Proposal from the Board of Directors for a merger as of 1st January 1989 with Novo Industri A/S, with Novo Industri A/S as the continuing company under the name of Novo-Nordisk A/S. In connection with the merger the shareholders will have their shares exchanged with Novo-Nordisk A/S shares. Holders of B-shares in Nordisk Gentofte A/S will receive nominally DKK 60 B-shares in Novo-Nordisk A/S for each B-share of nominally DKK 100 in Nordisk Gentofte A/S. Holders of A-shares in Nordisk Gentofte A/S will receive shares in Novo-Nordisk A/S in the same ratio. The Company's A-share capital of nominally DKK 140,000,000 will thus be exchanged for nominally DKK 17,881,900 A-shares and nominally DKK 68,118,100 B-shares in Novo-Nordisk A/S. For further details reference is made to the merger plan and merger memorandum.
6. Election of members for the Board of Directors in the event that the merger - cf. item 5 - is not effectuated. Up for election are Professor Allan Philip, L.L.D. Professor Niels Anker Thorn, M.D. Both are proposed reelected.
7. Election of two auditors in the event that the merger - cf. item 5 - is not effectuated. Revisionsfirmaet C. Jespersen and Mr. Jens Langkilde Larsen, C.P.A., are proposed reelected.
8. Proposal for authorization of the Board of Directors - in the event that the merger of item 5, is not effectuated - in the period until the next Annual General Meeting to acquire the Company's own shares in the order of 10 per cent of the share capital at the current exchange price at the time of the acquisition plus/minus 10 per cent.
9. Other Business. The proposal - item 2 - for an amendment of §28, Clause 1 of the Articles of Association and the proposal - item 5 - for a merger with Novo Industri A/S are both subject to the adoption of the merger by Novo Industri A/S and to the merger between Nordisk Insulinlaboratorium, Nordisk Insulin Foundation and Novo's Fond. An adoption of the proposal for a merger requires the representation of holders of at least 2/3 of the Company's share capital at the Annual General Meeting and that 2/3 of both the vote cast and of the voting share capital be represented at the Annual General Meeting adopt the proposal, cf. §18, Clause 2, of the Articles of Association. Provided that the merger with Novo Industri A/S is adopted, the annual accounts adopted under item 3a are revoked, and the proposal for allocation of the year's profit under item 4b is likewise revoked. Provided that the merger with Novo Industri A/S is not adopted the annual accounts adopted under item 3b are revoked, and the proposal for allocation of the year's profit under item 4a is likewise revoked. The merger plan, the merger memorandum and the Company's and Novo Industri A/S annual accounts for the past three years as well as the official valuers' reports will be deposited at the Company's offices, Nils Steensens Vej 1, DK-2820 Gentofte from 20th March, 1989. The same applies to the agenda and the complete proposals. All registered shareholders, who may request this, will receive the above documents at no charge. Admission cards are available until 5 days prior to the Annual General Meeting from Den Danske Bank, Securities Dept., Holmens Kanal 12, DK-1060 Copenhagen K, against proper identification in accordance with §12 of the Articles of Association. Dividend, fixed at the Annual General Meeting, will - after deduction of 30 per cent coupon tax - be paid by the Danish Securities Centre. Gentofte, March, 1989 THE BOARD OF DIRECTORS OF NORDISK GENTOFTE A/S

UK NEWS

Employers' organisation predicts 'soft landing' for UK economy UK manufacturing output 'to slow'

By Ralph Atkins, Economics Staff

BRITISH manufacturing output is beginning to slow but there is no sign of production being switched to exports, according to a survey published today by the Confederation of British Industry, the employers' association. Output volume growth is expected to slow from exceptionally strong rates last year, the industrial trends survey shows.

Export order books remain subdued with more manufacturers saying they are below normal than above normal. The report trails official figures for the UK trade deficit in February, published tomorrow, which are likely to show imports continuing to far outstrip exports.

London analysts expect an average current account deficit of about £1.4bn, only slightly better than in January. However, recent months trade figures have moved erratically and a big deficit could undermine relatively strong

sterling sentiment, putting pressure on the monetary authorities to increase interest rates again.

The CBI survey provides some comfort on the inflation outlook. Manufacturers expect prices to increase at a slower rate in the next four months than shown in the last five monthly surveys.

Figures last week, showed Britain's annual inflation rate as measured by the retail prices index, reach 7.8 per cent in February - the highest since August 1982.

CBI forecasts also published today, suggest that the UK's economic growth rate will fall this year to half its 1988 rate with the slowdown being led by consumer spending.

Export growth is expected to accelerate later in 1989, encouraged by buoyant world trade and a modest sterling depreciation. No cut in base interest rates from the current 13 per cent is expected until 1990.

The March survey results show only 19 per cent of the 1,550 companies replying said export order books were above normal, while 27 per cent said they were below normal. The difference between the two percentages was a balance of minus 8 per cent.

That was similar to the balances reported in January and February but compared with small positive balance throughout last summer.

Mr David Wiglesworth, chairman of the CBI's economic situation committee, said export orders have been hit by the high level of sterling which will make it difficult to secure an improvement in the trade balance.

He added: "If interest rates remain high, some companies may be forced to cut back on their investment, even though they realise that this will be damaging to the competitiveness of British industry."

Of the companies replying, 33 per cent expect their output

to increase in the next four months while 11 per cent forecast a decline.

That gave a balance of 22 per cent which was similar to the trend indicated by the last two surveys but lower than output growth expected last year.

The manufacturers reported stocks built-up in March. The difference between the percentage reporting stocks were more than adequate and those saying they were less than adequate was the biggest since January 1987.

The CBI forecasts are consistent with a "soft landing" for the UK economy. Gross domestic product is expected to grow by 2.5 per cent this year, compared with 4.5 per cent in 1988.

Exports are forecast to grow by 5.1 per cent against 0.5 per cent next year. Inflation is expected to fall to 5.9 per cent in the last three months of 1989 - slightly higher than forecast by the Treasury.

Bankers call for aid to town halls

By Norma Cohen

THE EXECUTIVE Committee of the British Bankers' Association, alarmed at the growing tensions between local authorities and their banks, has asked the Bank of England to help find a solution that will allow further lending to local government.

Last Thursday, the BBA's executive committee held an emergency meeting with Bank of England officials after deciding that the bank is not sufficiently aware of problems stemming from the decision of four local councils not to make payments under existing interest rate swap and options contracts.

Among other things, the BBA asked the banks to support changes in a Bill now pending before Parliament that would spell out the legal obligations of local authorities in loan agreements. For its part, the Bank of England is believed to remain relatively unconcerned with local authority swaps contracts, believing that damage to lenders will be slight and brief. Its main concern is that the legal uncertainties about the contracts do not damage the reputation of the City of London.

The growing concerns of the BBA come just as Salomon Brothers has issued notice of default to two local councils, Hammersmith and Fulham, and Blackburn, which owe it nearly £300,000 under several swap and options contracts. While Salomon has not filed formal proceedings to place the authorities in default, the US-based investment bank is considering all its options.

The remaining 60-70 banks which have swap agreements have decided to avoid any such moves for now.

'Licensed' teachers opposed by union

by David Thomas, Education Correspondent

THE NATIONAL Union of Teachers, Britain's biggest teaching union, is to step up its opposition to a Government proposal to ease the entry of people in mid-career into the classroom.

Mr Kenneth Baker, Education Secretary, sees the proposal, known as licensed teachers, as a key way of combating the growing problem of teacher shortages. Under the plan, to be introduced from September, mature entrants will get on the job training while attached to a school, instead of having to spend an initial year at a teachers' training college.

The NUT's annual conference, meeting in Blackpool, ordered the executive to draw up a strategy of action to oppose the proposal, which it fears could lead to a flood of inadequately trained teachers into the classroom.

Ms Ann Moran, a member of the union's executive, told the conference: "I don't want someone who has been burnt out by ICI and pensioned out at forty to be let loose in any school that I'm connected with."

The union's executive, which tried unsuccessfully to force the reference to taking action against licensed teachers, will now consider what appropriate action can be taken.

The NUT is to step up its opposition to business-sponsored City Technology Colleges by advising its members not to apply for posts in the new colleges. CTVs, designed for 11 to 18-year-olds in deprived urban areas, have proved to be one of the most controversial of the Government's reforms. So far, 19 groups of business sponsors have pledged £34m to CTVs.

Skill shortages 'less serious' than 1970s'

By Ralph Atkins, Economics Staff

INDUSTRIAL SKILL shortages are much less serious than in the 1970s and are not a major cause of manufacturing wage inflation, according to economists at the Confederation of British Industry.

Problems of skilled labour shortages have worsened in the past decade but have been a less significant constraint on manufacturing production than demand and plant capacity, the report says.

If shortages remain at the current level, however, about half a percentage point will be added to the annual rate of wage increases in the next year. Labour shortages could also be starting to become more important than plant

capacity as a constraint on production.

Mr Andrew Sentance and Mr Neil Williams, the report's authors, use CBI survey results to compare levels of skill shortages in the last 30 years.

They find shortages are currently at the average level for the 1960s and much better than the early 1970s when skill shortages were reported by twice as many companies as now. Apart from the period 1973-74, orders or sales have been a more important constraint on production.

Since 1981-83 the proportion of manufacturing companies saying shortages were affecting production has risen from below 10 per cent to 28 per cent

in October 1988. This fell back slightly to 25 per cent in January.

The 1980s have also seen plant capacity overtake skilled labour shortages as constraints on output - except in the most recent survey results for January when the position was reversed.

The authors say estimated effects of labour shortages on wages are not large in terms of swings seen in the past decade. They argue that skill shortages could provide a spur to productivity growth, offsetting any adverse impact on overall labour costs.

They add: "Nevertheless, the UK's rate of earnings growth has been persistently ahead of

major competitors in recent years. In so far as upward pressure on pay levels caused by skill shortages has contributed to this, it has prevented UK manufacturers reaping the full reward of superior productivity performance."

Among industrial groups, the most severely affected by skills shortages in January were manufacturers of industrial engines, pumps, compressors and electrical industrial goods and instrument engineering companies.

There appears to be only a weak relationship between output growth in an industry and skill shortages - possibly because skills in high demand are mobile across industries.

Critics await Ulster's plans for a fairer employment future Charles Hodgson on reaction to a measure intended to reduce discrimination at work

PLANNED fair employment legislation for Northern Ireland still faces critics at home and abroad, despite government moves to strengthen measures to combat religious discrimination in the workplace.

The Government hopes the measures, which completed their House of Commons committee discussions this week, will counter growing support in the US for tough anti-discrimination requirements on American companies in the province.

Critics still insist the bill does not go far enough to redress higher levels of unemployment in the minority Roman Catholic community and that the Government could face a struggle to convince international opinion that the legislation will be effective.

The proportion of unemployed male Roman Catholics in the province is two-and-a-half times higher than the figure for Protestants. But the Government argues that positive job discrimination in favour of Catholics is not the answer. What is required, it

believes, are measures that open job and training opportunities equally.

The Fair Employment (Northern Ireland) Bill, which will return to Parliament in mid-April, reinforces existing rules against religious discrimination. It shifts the emphasis to positive efforts to improve job distribution by forcing employers to address the causes of any imbalance in their employment and recruitment practices.

The legislation will establish a Fair Employment Commission in place of the existing Fair Employment Agency, with stronger powers of investigation and direction.

It also sets up a Fair Employment Tribunal with powers to fine companies that ignore commission directions, to award damages to individual victims of discrimination and to specify remedial action. A code of practice will be published to help employers improve their employment practices.

All public-sector employers and private companies with more than 10 employees (26 for

a two-year transitional period) will have to register with the Fair Employment Commission. They will be obliged to submit annual monitoring returns to the commission, showing the religious make-up of their workforce. Failure to submit returns or to respond to commission enquiries will be a criminal offence.

The need to counter growing support for the so-called MacBride principles in the US, coupled with consistent pressure from Dublin, clearly added to the urgency with which the Government brought forward its legislation.

The MacBride principles, which include a call for affirmative action to increase representation of religious minorities in the workforce and in skilled training, have been adopted by 10 American state legislatures and 12 cities.

In the Irish Republic, fair employment is seen as one of the main tests of Britain's commitment to the principles of the 1985 Anglo-Irish agreement. The Government has

mounted a vigorous campaign against the MacBride principles, arguing that they could discourage investment by US companies in the province and worsen the employment situation.

Officials accept that the MacBride lobby, with its combination of strong anti-British feeling among some Irish-American and a more general civil rights appeal, is difficult to counter. There is also a suspicion that some Irish-American politicians have latched on to MacBride for domestic political reasons.

Nevertheless, ministers feel the bill gives their supporters ammunition against the MacBride campaign and they argue that there is little substance in the principles that is not now mirrored in the bill.

Mr Peter Viggers, the Northern Ireland industry minister, introduced amendments during the committee stage to clarify the Government's commitment to two key areas of the new bill: affirmative action to secure fair participation in employment, and goals and timetables

setting out progress expected of employers.

Job advertising or training schemes targeted towards - but not exclusively restricted to - a particular section of the community would not be unlawful. Nor would specific employment or training schemes likely to benefit those in an area with an exceptionally high level of unemployment.

Labour argues that the bill still contains inconsistencies and omissions that weaken its intended impact. It maintains that Mr Viggers' amendments, while protecting employers against a charge of indirect discrimination, could still lay them open to charges of direct discrimination. It also argues that the Government should clearly define what is meant by "fair participation".

Labour would like to see more direct "religious-specific" employment and training schemes and has pressed for stronger rules on contract compliance. Companies not fulfilling their obligations under the bill should have public sector

contracts withdrawn, it says.

The Opposition joined with Ulster Unionists in voting against the bill at second reading. Mr Kevin McNamara, Labour's Northern Ireland spokesman, warns that as the measure stands, the party is unlikely to change its stance at third reading.

While Labour clearly supports the intent behind the legislation, it feels the Government has not grasped the fact that the bill will be seen as a "political testament" to oppose discrimination. Unless the commitment to affirmative action, goals and timetables and monitoring of the workforce are made more explicit, domestic and foreign critics will not be silenced, Mr McNamara says.

With a Commons majority of more than 100, the Government is in no danger of defeat over the legislation. But Labour is counting on the added weight its support would give to the government campaign against the MacBride principles to press for tougher measures.

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at 334p per share, being equivalent to the net asset value per Ordinary Share on 21st February, 1989, adjusted for the Capitalisation Issue.

Application has been made for the new Ordinary Shares and the Warrants to be admitted to the Official List by the Council of The Stock Exchange. It is expected that dealings in the new Ordinary Shares and the Warrants will commence today, Tuesday 28th March, 1989.

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Joint announcement

Eskom has secured the infrastructure to provide for the future operation of the Ingagane Power Station by acquiring from Trans-Natal, at the underlying real asset value, the entire share capital of The Natal Navigation Collieries & Estate Company Limited (NNC) for R31 million, effective 15 March 1989.

In terms of a management and off-take agreement a subsidiary of Trans-Natal will, by accepting responsibility for the liabilities normally associated with coal mining, be permitted to produce coal from the NNC-owned Kibbarhan Colliery, utilizing reserves other than those which have been dedicated for future supplies to the power station.

Trans-Natal's net asset value will, as a result of this transaction, be increased by R30.5 million or 38.6c per capital unit. This income will be reported as an extraordinary item and it will, therefore, not have a material effect on ordinary earnings.

Apart from the strategic importance of this investment, significant efficiencies and savings will accrue to Eskom in the short term.

Johannesburg
28 March 1989



Left 300CE coupe Right 300E saloon Others in the series 200E, 230E, 230CE, 260E, and 300E 4-MATIC

One of the more remarkable performance figures of a Mercedes-Benz is how well it performs on the books. High performance is not swiftly followed by high depreciation. The 300E saloon and 300CE coupe both return impressive numbers. They have superbly balanced three litre, overhead cam, in-line six cylinder engines that combine microprocessor-controlled ignition and fuel injection to produce 188 bhp.

The 300CE will accelerate from zero to 62 mph in 8.2 seconds and achieve a maximum speed of 138 mph (Manufacturer's figures). Under the sleek aerodynamic shape of the 200E-300E series is an uncompromisingly tough steel structure. It gives the cars their taut handling characteristics and the occupants the security of safety cell protection.

ABS anti-lock braking is standard across the seven cars. As are automatic front seat belt tensioners, variable ratio power steering and the unique Mercedes-Benz multi-link rear suspension.

A PAINFUL SUBJECT TO REPORT

In the terribly emotive business of deciding what to buy, it's all too easy to push the real cost of ownership to one side in favour of performance, fuel economy or simple old-fashioned

The only thing they do slowly is depreciate

infatuation with a certain model's styling. So said 'Auto Express' in a recent survey on 26 of the most popular makes of car.

It went on to say: "Depreciation - an ugly word for a very painful subject - makes fuel costs and garage bills pale into insignificance." In the survey the Mercedes-Benz reputation for producing painstakingly well-made cars with the emphasis on longevity suffered no erosion.

ANOTHER VICTORY FOR MERCEDES-BENZ

Of the cars shown to depreciate the least, the winner by a clear margin was Mercedes-Benz. The survey demonstrated that on average Mercedes-Benz cars depreciated 30% less than their nearest rivals.

This is helped, no doubt, by the fact that no Mercedes-Benz is ever designed with the assumption that an owner will tire of it or its styling. Each is built to last, to supersede any fad or passing trend. (This is reflected by 'Auto Express' who state, "Cars that change little usually fetch higher prices.") The result is a range of swift, safe, sumptuous cars that are slow to depreciate. A rare combination that Mercedes-Benz owners are quick to appreciate.



ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

Vertical text on the left edge of the page, including "Licensed teachers opposed by union" and "LETTERS".

Handwritten notes at the bottom right corner of the page.

UK NEWS

Housing trusts may offer broader role for tenants

By Hazel Duffy

THE GOVERNMENT is considering the appointment of tenants' representatives to the boards of its planned housing action trusts in an effort to save the policy behind them.

The move would be part of the campaign to win support for the scheme from tenants on some of the worst council housing estates in the country. The deprived housing estates are in Lambeth and Southwark in south London, Leeds and Sunderland. The trusts would take over ownership from the local authorities if a majority of the tenants involved voted in favour.

The Government argues that the trusts, backed by substantial sums of government money, offer more hope of improving run-down estates than if they were left in the control of local councils.

No details on the composition of the boards have yet been announced. They will be appointed by Mr Nicholas Ridley, Environment Secretary.

The boards will have a similar function in planning the estates to those appointed to oversee the urban development corporations, with day-to-day management conducted by a small executive.

By promising tenants representatives on the boards, the Government hopes a majority



Nicholas Ridley: tenants' representatives are sought

will vote to transfer the management of the estates from local authorities to the trusts. The requirement for a ballot by tenants was conceded by the Government last year during the passage of the Housing Act.

The move would have to be handled carefully. Extreme political activists would have to be weeded out.

Ministers are also reconciled to the likelihood that the period during which the trusts operated would need to be seven years rather than the five years originally planned. A

total of £192m had been allocated provisionally by the Environment Department for improving the estates over the next three years.

The money will not start to be drawn until next spring at the earliest. Plans for setting up the trusts have been delayed by the need to hold ballots, which are expected to be held in the autumn.

This will give the Government time to sell the idea of the trusts to tenants. Consultants will be appointed to explain the policy on the estates involved, presumably because they will be seen as more neutral than civil servants.

Mr Ridley said recently that his proposals for estates in Sandwell, West Midlands, would be the subject of further study, while Tower Hamlets council in east London has been invited to nominate new estates following the report by consultants that the original ones did not lend themselves to such a solution.

Tower Hamlets described the Government's invitation as "ridiculous and unthinkable." Opposition to the Government's policy from the Southwark and Lambeth councils is intense too. Many tenants have also shown hostility to the proposals.

Homework lack blamed for pupils' lag in maths

By David Thomas, Education Correspondent

LACK OF homework is partly to blame for British children's poor showing in maths compared with their counterparts abroad.

However, British children compare well in science and the gender gap in maths and science in British schools is less apparent than elsewhere.

These are some key findings of a study involving 13-year-olds in the Irish Republic, South Korea, Spain, the UK, the US and four Canadian provinces. The same maths and science questions were set to 2,000 pupils in each case.

Only 54 per cent of British 13-year-olds achieved the mid-point of the study's five proficiency levels, compared with 78 per cent of Koreans.

The study blames much of the discrepancy on homework. Only a third of Korean children do less than an hour a week of maths homework, compared with 66 per cent of their British counterparts.

Almost a quarter of Koreans spend over 3 hours a week on maths homework, against 6 per cent of British children.

In science, the UK was third behind British Columbia and South Korea, with British 13-year-olds spending as much time on homework as Koreans.

Moreover, the UK and the US were the only two participants where the gap between the performance of boys and girls in science was not statistically significant.

The survey showed that British 13-year-olds spent more time on practical science activities than other children in the study.

A *World of Differences*, NFER, The Mere, Upton Park, Slough, Berks; international study and UK summary, £5.

Imports make hole in shoe industry

Alice Rawsthorn on rivals who offer high quality and low cost

A FEW weeks ago Mr Roger Percival watched the last line of shoes roll off the production plant at his factory in Leicester. After 36 years in business, J Percival & Co has been forced to close.

Percival is a victim of the recession in the footwear industry. Only two years ago it was a flourishing family firm, with workforces of 120, making children's shoes for high street stores.

But for the past year it has struggled to compete against a surge of imports from Taiwan and South Korea. The imported shoes are of the same quality as Percival's, but they are much, much cheaper.

Mr Percival was forced to drop his prices by between 10 per cent and 20 per cent in an attempt to stop his customers switching to Taiwan or South Korea. His choice was simple. He ran the risk of losing the order, or he could keep it by making the shoes at a loss.

Even so, his order books were getting thinner. By the beginning of this year, Mr Percival realised that losses were only a few months away. He sent 20 remaining employees, faced a future of idle machines, short-time working and redundancies. He decided to close.

The story of Percival is all too familiar in the footwear industry. For the past 18 months it has been hit by a rapid rise in imports from south-east Asia.

This increase has been fuelled by three factors:

• Some south-east Asian countries, such as South Korea and Taiwan, have invested heavily in footwear capacity.

• The decline of the US dollar

	BRITISH SHOE INDUSTRY	
	IMPORT PENETRATION%	EMPLOYMENT
1980	47	64,300
1981	53	57,400
1982	56	53,500
1983	55	51,400
1984	61	52,800
1985	59	51,700
1986	53	52,200
1987	63	52,700
1988	65	49,000*

*estimate
Source: Business Statistics Office, Customs & Excise, Department of Employment

has prompted the south-east Asians to divert consignments from the US to more lucrative markets in Europe.

• The pound's strength has made the UK one of the most attractive European markets.

As a result the influx of imports into the UK increased by 6 per cent to 188.6m pairs in 1988, according to the British Footwear Manufacturers Federation. The level of import penetration rose by 2 per cent to 65 per cent during the year.

The intensity of the pressure on the UK industry is illustrated by the fact that import penetration was lower than 60 per cent in 1980.

The men's shoe makers, which tend to concentrate on more expensive footwear, have emerged unscathed. The problems have been concentrated among the women's and children's shoe companies which bore the brunt of the 2.5 per cent fall in output - to 124.8m pairs worth £90m - last year.

Initially, the industry managed to withstand the pressure. But as the months have rolled on - and the level of overseas competition has intensified - the women's and children's shoe companies have become

much more vulnerable.

Percival is only one of a number of companies to have closed in recent weeks. A few weeks ago Dysche Rosen in Hull announced that it would be forced to close - unless it found a buyer - with the loss of 260 jobs.

The BFMF estimates that employment across the industry fell by 7 per cent - by almost 4,000 to 43,900 - in the 12 months to October. The rate of job losses is likely to have accelerated since October reflecting the worsening of the industry's difficulties.

In the short term the industry's prospects will be determined by the pattern of consumer spending. The industry is now in something of a seasonal hiatus: it has completed spring orders and is waiting for repeats. If spending is strong, it should benefit from repeat orders; but if spending is weak, the painful cycle of cautious retail buying and increasing imports will continue.

The industry's long-term prospects depend on its ability to claim a competitive advantage over its south-east Asian competitors. Those competitors

have a clear cost advantage because of low labour costs, but traditionally the Europeans have been able to score on quality and design. However, the Taiwanese and South Koreans have recently invested so heavily in new capacity that the standards of their output now matches that of the Europeans.

The only hope for the UK industry is to use new technology to erode the labour cost advantage of the south-east Asians and to claim an advantage by offering a faster, more flexible service to customers.

But the level of automation in the footwear production process is still comparatively low. There have been some advances - such as automated assembly lines and computerised sewing machines - but footwear is still a labour-intensive industry.

Moreover, new technology is expensive. A large company, like the FII Group, has invested heavily in "quick response" programmes at its factories. But the capital required to install new equipment and software is beyond the means of the smaller companies.

For companies like J Percival there is no future. Most of the workforce has already left and Mr Percival fills his days with the depressing tasks of contacting customers and selling off machinery.

He has been offered other jobs by footwear companies. But he is uncertain whether to accept, because "I am not sure whether there is a future for the industry in the UK and I do not want to spend the rest of my life banging my head against a brick wall."

Siemens supplies police computer

By Alan Cane

SIEMENS of West Germany has won the battle to supply the hardware for the UK's new Police National Computer known as PNC2.

The Home Office announced this week that a consortium led by Siemens and comprising the UK computing services company Software Sciences and the PA Consulting Group had won the contract, believed to be worth about £10m, ahead of two competing consortia led by International Business Machines and by Amdahl, both of the US.

Software Sciences, part of the Thorn EMI group, will work on software links between the new Siemens system and computers run by individual police forces. PA

Consulting Group will have project management responsibility.

The announcement brings to an end a long and hard-fought battle for one of the most important computing contracts to be awarded in the UK this decade. The 10 months of negotiation were given added bite by the fact that the Home Office had already made up its mind about the choice of database software.

The software selected, Adabas from Software AG of West Germany, can run on some computer systems only. Therefore a number of potential suppliers, for example Unisys of the US, which provided the existing Police National Computer, and International Com-

puters of the UK, were ruled out.

Siemens will provide two 7500/R120-P computers which are among the fastest general purpose machines available. They are capable of processing 60m instructions every second. Much of the technology in Siemens' large computers is provided by Fujitsu of Japan with which Siemens has technical and marketing agreements.

The new system is expected to be delivered to PNC headquarters at Hendon, London, later this year.

The present PNC now processes some 100,000 transactions a day and is at the limit of its capacity. The new system will have to handle at least four times the workload.

Finnish product first to reach water industry's new standard

By Richard Evans

THE FIRST product conformity certificate to be issued under the new Water Industry Certification Scheme (WICS) has been awarded to Uponor, a Finnish-based plastic pipe group with growing interests in the UK.

The significance of the award, presented by Mr William Courtney, chairman of Wics and of Southern Water, is that it marks the first stage in what is intended to become a national scheme of product certification.

Until now fragmentation in the water industry has meant that manufacturers have had to sell products separately to the water authorities and the

29 statutory water companies, which have to carry out quality tests individually.

The Wics scheme, launched last October, provides certification for product conformity across the industry and for quality management systems to ensure that the products are handled properly.

The scheme has been sponsored by the Water Authorities Association, the Water Companies Association, the Convention of Water Authorities and the Northern Ireland Environment Department. The aim is that it should be self-sufficient from registration fees within three years.

Among the expected advantages are the avoidance of multiple assessment by each authority and company, improved marketability of a product, and the provision of better quality products because of the high standards needed to gain a certificate.

The first chosen product is a uPVC gravity sewer and drainage pipe system which combines the benefits of flexible uPVC pipes and fittings with a structural design providing major improvements over traditional sewer and drainage pipes.

Uponor's UK bases are in Leeds and Newton Aycliffe.

No appeal on pensions decision

By Eric Short, Pensions Correspondent

THE VAUXHALL Pensions Action Group has decided not to appeal against the High Court ruling on Wednesday that the Vauxhall pension fund trustees had acted within their powers in agreeing to new pension arrangements by Vauxhall Motors.

Mr David Bullard, founder of the group and the chief plaintiff in the case, said that the decision to appeal was being communicated to the trustees and the company by his solicitor.

Under the previous pension scheme trust deed, the trustees had been barred from paying any surplus from the scheme back to the company. The new pension arrangements limit the restriction so that any surplus can be paid to the company. At the High Court hearing it was claimed that the surplus was at least £800m.

In return for lifting the restriction the new scheme will provide improved benefits, and the company guarantees the financial solvency of the contractual benefits.

The Vauxhall Pensions Action Group was established by Mr Bullard, a retired Vauxhall Motors employee, and other people, to oppose the arrangements on the grounds that the trustees in agreeing to the changes had acted outside their powers.

Costs, understood to be more than £100,000, were awarded against Mr Bullard, Mr Malcolm Clydesdale and Mr John Andley.

However, Mr Bullard stated that he was prepared to meet the entire costs himself, even though it meant "selling his house and moving to a bedsitter."

The trustees expressed their satisfaction with the High Court verdict but said that the question of remaining costs had not yet been discussed and they had no idea when they would be meeting to consider the situation.

Mr Bullard said he hoped that the Government would take notice of the action group's experience and establish a cheap and easy means of arbitrating on pension complaints through a pensions tribunal, as recommended in a recent report from the Occupational Pensions Board.

Buy-out at Falmer jeans group

By Alice Rawsthorn

MANAGEMENT at Falmer International, one of Britain's best-known jeans companies, has won control of the company in a buy-out.

Falmer has been making denim jeans and leisurewear for men and women since the early 1960s. It now employs 1,000 people and has two jeans factories in Scotland.

The management team, led by Mr David George as managing director, has bought the business from Mr Alan Langdon, Falmer's founder, for an unspecified sum. The buy-out was co-ordinated by Spicers Corporation Finance, part of the Spicer & Oppenheim accountancy group. Bank of

Boston and Hambros provided capital for the deal.

Mr George said his team intended to expand Falmer by revitalising existing products and diversifying into new product areas. The money raised for the buy-out includes a sum which will be ploughed back into the company to finance product development.

Falmer, which mustered sales of £24m last year, is currently strong in women's wear. The buy-out team plans to expand its activities in men's wear and possibly to diversify into children's wear.

The £22m UK jeans market has become increasingly competitive in recent months. In

the early 1980s the jeans industry was hit by a sharp decline in demand for denim jeans.

The success of Levi Strauss's 1985-style advertising rekindled demand in the mid-1980s.

For the last year or so the jeans companies have faced more competitive conditions. The market is dominated by Levi and Pepe, which has expanded rapidly in the 1980s. Some of the old established companies, such as Wrangler and Lee Cooper, have lost ground.

The main manufacturers have invested heavily in advertising this year to protect their positions in the market.

Growth halts in coffee market

By Christopher Perkes, Consumer Industries Editor

GROWTH in the value of the British coffee market ground to a standstill last year, while tea advanced 3.5 per cent despite a 1.5 per cent fall in volume sales.

Figures from a report on the beverage market published shortly by Nestlé, maker of Nescafé, show that total retail coffee sales of \$908m in 1988 were the same as in 1987.

However, instant coffee managed a 1 per cent increase to \$531m, while ground coffee sales fell back almost 10

per cent to \$37m.

The report said consumption of hot drinks would remain static at around 100bn cups a year during the 1990s, and the value of the business was likely to increase only slowly.

Strongest growth in the market last year came from the increased popularity of premium brands and decaffeinated coffees, Nestlé claimed. But the small advance reflected poorly on the effect of the \$51m that instant coffee makers poured into advertising - half spent by Nestlé to sup-

port its 53 per cent market share.

General Foods, the US maker of Maxwell House, had 22 per cent of the market, and Brooke Bond, maker of Red Mountain, 7 per cent, the report said. Some of the old established brands lost ground and ended the year with 19.6 per cent.

Advertising expenditure for the total hot drinks sector rose 16 per cent during the year to \$97m, \$25m of which was spent on tea. Brooke Bond, the Unilever subsidiary, had a 29 per cent share of the market.

Northern Rock uses BES for rent scheme

By Ian Hamilton Fazey, Northern Correspondent

NORTHERN ROCK, the Newcastle-based building society, has become the first UK building society to use the Business Expansion Scheme to move into the rental market.

It has formed a specialised subsidiary called Homes Intown and is targeting mobile professionals working in hospitals, universities or for the airlines who need rented housing near their places of work for about two years.

The subsidiary is to be funded by a £5m BES fund sponsored by Baring Brothers. This scheme has not been advertised generally but was launched last week by direct mail to the society's members and to Baring's clients.

Although £2.2m of subscriptions have so far been received, £2m is from another building society, Nationwide Anglia. The offer closes on Friday but Mr Leo Finn, who will run the subsidiary, said the level of inquiries suggested the target would be met. The minimum subscription is £1,000.

Homes Intown is starting with a stock of housing bought in advance and transferred to it by Northern Rock Housing Trust, the society's development subsidiary. This makes it different from most BES assured tenancy schemes, which tend to develop property from scratch.

The schemes were introduced by the Government to

encourage individuals to invest in reducing the UK's shortage of good rented accommodation in the major cities. The trend has been increasingly to own occupation, but differing house prices around the country have proved a disincentive to mobility.

BES works by giving individuals full tax relief at their top rate on venture capital investments in approved funds or projects.

It was originally designed to help small businesses to grow. The money has to be left for a minimum of four years and any gain is regarded as long-term capital.

Homes Intown's present stock of housing is in Newcas-

tle, near the university, and in Leeds, near a large hospital. Target clientele includes academics and medical professionals, or senior managers posted north for a limited period.

Property is now being sought in West London and Sussex to provide homes for airline and airport staff.

Mr Finn said it was policy to buy new property to keep maintenance costs low. Initial purchases at £20,000 each were worth now £25,000. He added: "We think the over-occupied market is becoming saturated, and that many building societies will want to move into the rental market. There is always a great advantage in getting in first."

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UK NEWS

Deeside scheme awaits decision on public inquiry

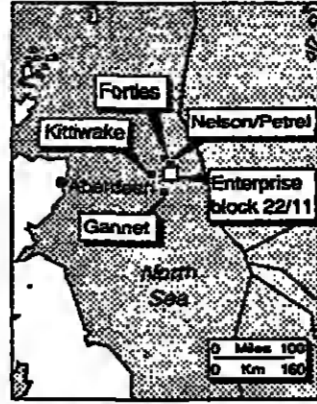
By Anthony Moreton, Welsh Correspondent
THE \$260m Deeside Waterfront development by the Dee estuary in north Wales has been given the go-ahead by Alyn and Deeside council...

Companies face steep increase in audit costs

By Richard Waters
AUDITS are likely to become considerably more expensive for between a quarter and a half of the UK's 800,000-900,000 small companies...

N Sea oil find has companies over a barrel
Shell and Enterprise must compromise on developing disputed field, says Steven Butler

THERE WAS a slightly sheepish look on the face of Mr Peter Everett, director of Shell UK's oil exploration and production operation...



reserves lies on their own side of the line and geological data is delightfully ambiguous...

over a big asset. It would not have to, in effect, pay for the management services provided by another company over which it has little control...

Ferranti is awarded £50m Tornado systems orders

By David White, Defence Correspondent
FERRANTI INTERNATIONAL, the defence and electronics group, has secured more than £50m worth of contracts to supply display systems for the RAF Tornado GR1 aircraft...

BZW head likely to chair banking group

By David Lascelles, Banking Editor
THE FIRST permanent chairman of the newly constituted British Merchant Banks and Securities Houses Association is likely to be Sir Martin Jacob...

Institutions from abroad open in City

By David Lascelles
LONDON continued to attract foreign banks strongly last year, but the rate of opening in the City of foreign securities houses slowed...



Sir Martin Jacob: his name is being canvassed clearing bank qualifies him as a representative of the BMBSA's wider membership...

Alma sweets transfer will cost 200 jobs in Bury

By James Buxton, Scottish Correspondent
ALMA, the privately-owned Scottish confectionery group, is closing a plant at Bury, near Manchester, and transferring its production to Dundee...

largest sugar confectionery maker in Britain. Mr Martin Jacob, whose family emigrated to Scotland from Italy at the beginning of the century, said the closure of the Bury plant was necessary because of its heavy trading losses...

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Transforming steelworks into shopping centre

BISON CONCRETE, through its central division at Lichfield, is supplying over £1m worth of precast slabs and staircases to one of the largest current developments in the Midlands. At Merry Hill in Brierley Hill, West Midlands, Richard 50th Developments is transforming the site of a traditional Midlands steelworks into a shopping centre and car park. The development is taking place in several phases. Bison has so far supplied 70,000 sq metres of drycast hollow core and solid composite slabs and over 90 cu metres of precast stairs.

Building offices in Edinburgh

WIMPEY CONSTRUCTION UK has been awarded a £8.2m management contract by St Andrew Securities for the Apex 8000 office development in Haymarket Terrace, Edinburgh. The contract involves erection of a seven-storey building with a floor area of about 10,000 sq metres, five floors of open-plan offices and 146 car parking spaces on two levels. The three inter-connected, individually serviced units within the envelope will feature raised access floors, facilities for air-conditioning, installed as users require, marble-lined entrance foyers and glass wall-climber lifts beneath a glazed atrium. Foundation work will require removal of substantial foundations followed by contiguous piling. In the process, Wimpey will widen Devon Place to incorporate a lay-by, and the contract is due for completion in the spring of next year.

CONSTRUCTION CONTRACTS

January orders rise sharply

By Andrew Taylor, Construction Correspondent

CONTRACTORS' order books in the UK rose sharply in January according to figures released by the Environment Department. These show that £2.46bn of orders were recorded in Great Britain in January compared with almost £2bn in December.

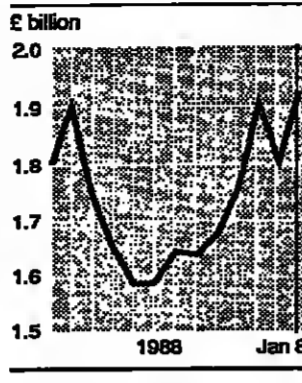
Private commercial orders of £909m, of which offices accounted for £302m, were the second highest monthly figure since last June. Private industrial orders of £394m, of which factories accounted for £179m, were the third highest since June. Private housing orders have dipped since last summer. Orders of £623m in January were the second lowest since June. Only December, when £564m of orders were recorded, was lower.

The value of public sector orders also rose in January as spending departments moved towards the end of the financial year. Public sector orders,

other than housing, which include roads, sewerage, railways, power, schools and health investment, rose to £545m in January compared with £495m in December and £373m in November.

Public housing orders, which provides a much smaller proportion of construction output

Construction orders



these days, rose to £89m in January compared with £55m in December. The January total however was lower than the £119m recorded in November.

The Department's figures show that construction orders have continued to rise in volume as well as in cash terms. Total orders during the three months to the end of January were 11 per cent higher than during the previous three months, after allowing for inflation and making adjustments for seasonal variations. Orders were 18 per cent higher than during the corresponding three months a year ago.

Private commercial orders on the same basis were 10 per cent higher than during the previous three months and 29 per cent higher than during the corresponding period a year ago. Private industrial orders were 20 per cent and 29 per cent higher.

Reservoir project in Jersey

SHEPHERD HILL is to build the Queen's Valley Reservoir in Jersey. The Jersey New Waterworks Company has awarded the £12.45m contract to Shephard Hill & Co. of Hillingdon, Middlesex, and a start on site will be made at the beginning of April so that the reservoir should be in operation by July 1991.

The scheme, which has been designed by Watson Hawkesley, includes two dams and a pumping station as well as a draw-off and overflow tower leading into a 140 metre long tunnel. A feature of the main dam, which is 25 metres high and 170 metres long, is that the core will be constructed with bituminous concrete whereas the 12 metres high intermediate dam is to have a reinforced concrete membrane.

Yorkshire pumping station

JOHNSTON CONSTRUCTION, Redhill, Surrey, has been awarded civil engineering and building contracts valued at £20m, at home and overseas.

Among the largest, Yorkshire Water Authority has placed a £3.75m contract for construction of the Toll House pumping station, Scarborough. Two building projects have commenced for Johnston House Developments. Both office blocks, the buildings are at Esher (£2.5m) and at Hartfield Road, Wimbledon (£3.75m). Overseas, the associated companies, Johnston International and Hespulphite International, are to construct two hotel projects. At Grand Cayman, British West Indies, a contract, worth £2.45m, is for work on the Radisson Hotel for the Columbia Sussex Corporation. The other, at Belize, West Indies, is for extensions to the Fort George Hotel, Belize City, valued at £1.15m.

Bovis in £200m British West Indies resort development project

BOVIS INTERNATIONAL, a P&O Group company, has a project management contract with Parrot Cay Development Company for phase one of a £200m hotel and villa development on Parrot Cay, one of the Turks and Caicos Islands, in the British West Indies. Work starts on phase one in May. This involves a luxury 50-suite, five-star hotel, plus some villas and infrastructure. The hotel will be operated by a Swiss company, Les Hautes De Gstaad, and consists of a restaurant, lounge, bars, disco,

terraces and swimming pool. It will be sited on a small knoll overlooking beaches, and coral reefs.

The hotel suites will be in six buildings on the lower slopes of the knoll. Each suite will have a balcony with views out to sea and access to the beaches.

Infrastructure work on the currently uninhabited 1,067 acre island includes roads, desalination plant and sewage treatment plants, roll-on/roll-off dock and airfield. The first phase is scheduled

to take 18 months with the hotel opening on November 1 1990. The following phases, which will take the balance of the projected £200m construction costs, will involve building more than 200 villas.

A diving club and marina will be established on the south west coast of the island for snorkelling and coral-wall diving.

Other planned sports facilities include construction of an 18-hole golf course. A sports centre will be located near the hotel in the north of the island.

Shopping centre for Worcester

BEYANT CONSTRUCTION has been selected by Centrovincial Estates as the main contractor for a £20,000 sq ft shopping centre in Worcester. Work on the £20m contract will start in August, and the centre is

expected to be open by Christmas 1991.

It will include a department store of 70,000 sq ft for Beatties and two variety stores, one of 30,000 sq ft and another of 32,000 sq ft. There will be 57

unit shops, 11,000 sq ft of office accommodation, and a restaurant.

There will be a 750-space car park within Blackfriars Square and 236 car-parking spaces in Newport Street.

APPOINTMENTS

Company secretary of Burton



Mr John Davies (above) has been appointed managing director of ADVISA SERVICES. He was marketing director of Sherwood Computer.

THE BURTON GROUP has appointed Mr John Davies as company secretary in succession to Mr Gerry Slater who is retiring at the end of May. Mr Davies also becomes a member of the executive management board.

Mr James N. Fletcher has been appointed managing director of MUNICIPAL GENERAL INSURANCE broker division, Bournemouth, from April 1. Ms Dorothy M. Waterman becomes deputy manager.

Mr John Patrick James has been appointed a director of PRIEST MARIANS (LANGHAM ESTATES) and Priest Marians Developments.

JOHN GOVETT & CO has appointed Mr Bruce McIntosh, previously at Mercury Asset Management, as a director, and as deputy managing director of John Govett Pensions.

TIBBETT & BRITTEN GROUP has appointed Mr Tony Slaughter as a main board director from April 3. He was managing director of Rockwood Distribution Services.



Mr Peter Marchant, deputy director of engineering at ITN, is to rejoin the BBC as chief engineer, television.

Mr James Madigan has been appointed a director of THE EXPATRIATE RESOURCES CO, Jersey.

Mr Mike Downing, sales and technical director of Trent Concrete, has been re-elected chairman of the ARCHITECTURAL CLADDING ASSOCIATION.

CASTLEFORTH FUND MANAGERS has appointed Mr Hugh Barry as an executive director and head of corporate finance. He was deputy chairman of EFT Group.

Mr Trevor Coates has been appointed managing director of ALDI UK, new British subsidiary of a German food retailer.

Mr John Reed will succeed his father Mr Robert Reed as managing director of WILLIAM REED WEAVING, part of Allied Textile Companies, when his father retires on April 1. He was sales and marketing director.

Mr Terry Mackness, formerly managing director, has been appointed president

of HI-TEC SPORTS-USA INC, and deputy chairman of the British group. Mr Frank Van Wessel, chairman, becomes chief executive in addition.

Mr David Lewis has been appointed managing director of ADVISA SERVICES. He was marketing director of Sherwood Computer.

Mr Richard Woolham has been appointed director of the CABLE TELEVISION ASSOCIATION in succession to Mr Nicholas Mellersh who has joined The Cable Corporation as director of development. Mr Woolham was chief executive of the Telecommunications Industry Association.

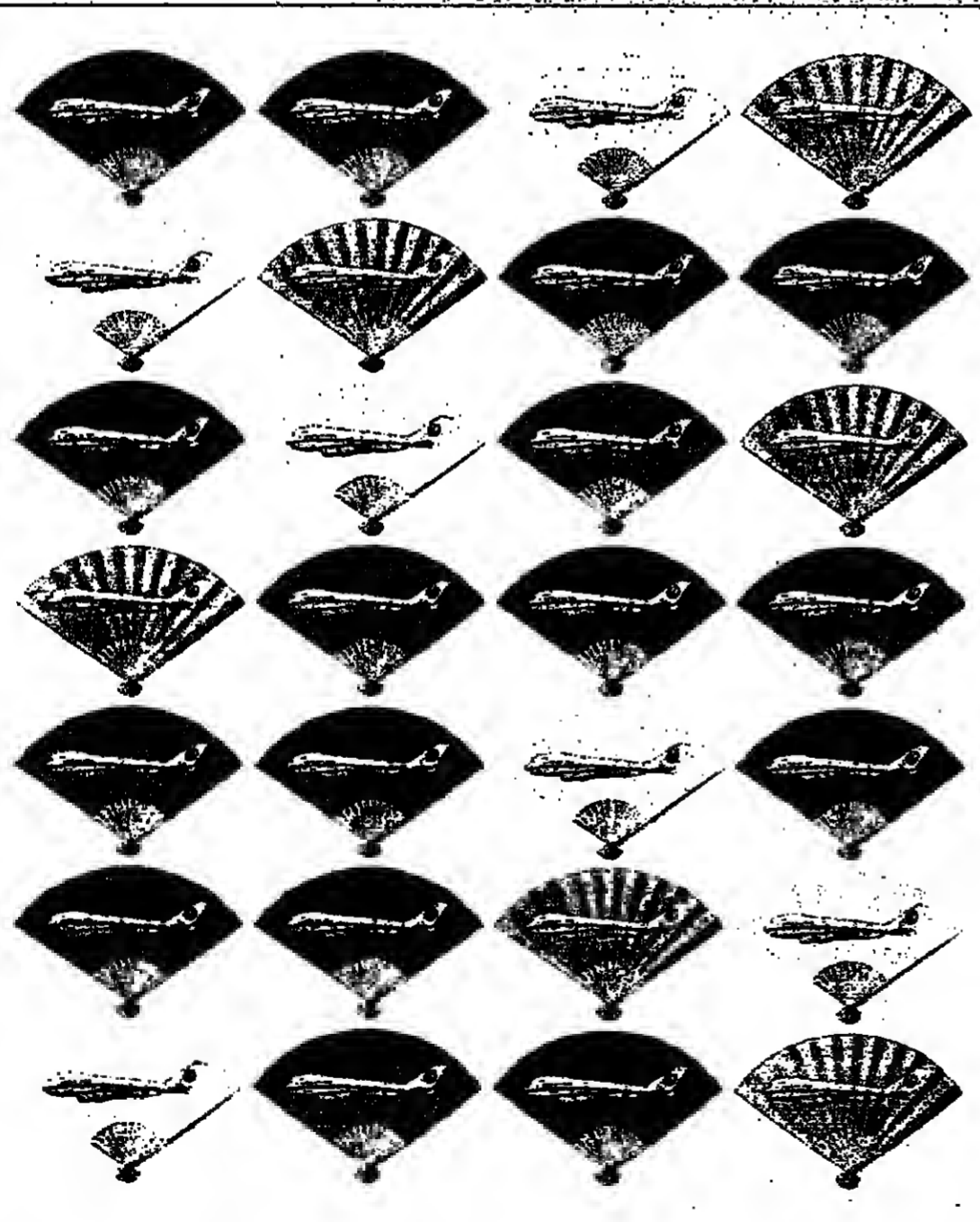
Mr Richard Wood has been appointed sales and marketing director of YALE SECURITY PRODUCTS. He was managing director of E. Aldridge and Son.

Mr Frank Cooper is stepping down as chairman and a director of UNITED SCIENTIFIC HOLDINGS to lighten his load. He will continue as a consultant. Mr John Robertshaw, who has been a non-executive director since 1987 and chairman from 1987-1988, will become chairman. Sir Colin Fielding, formerly controller of research and development at the Ministry of Defence and currently a part-time consultant to OSH, will join the board.



Mr John Reed will succeed his father Mr Robert Reed as managing director of WILLIAM REED WEAVING, part of Allied Textile Companies, when his father retires on April 1. He was sales and marketing director.

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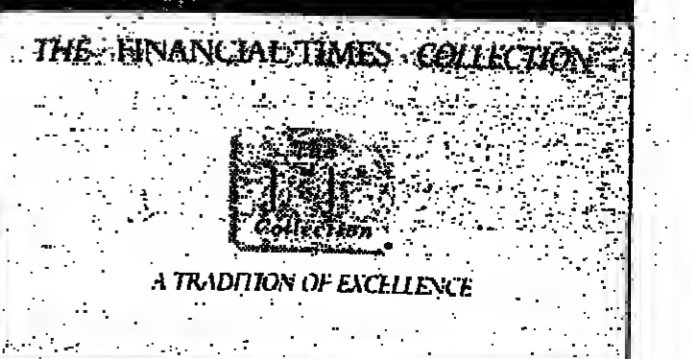
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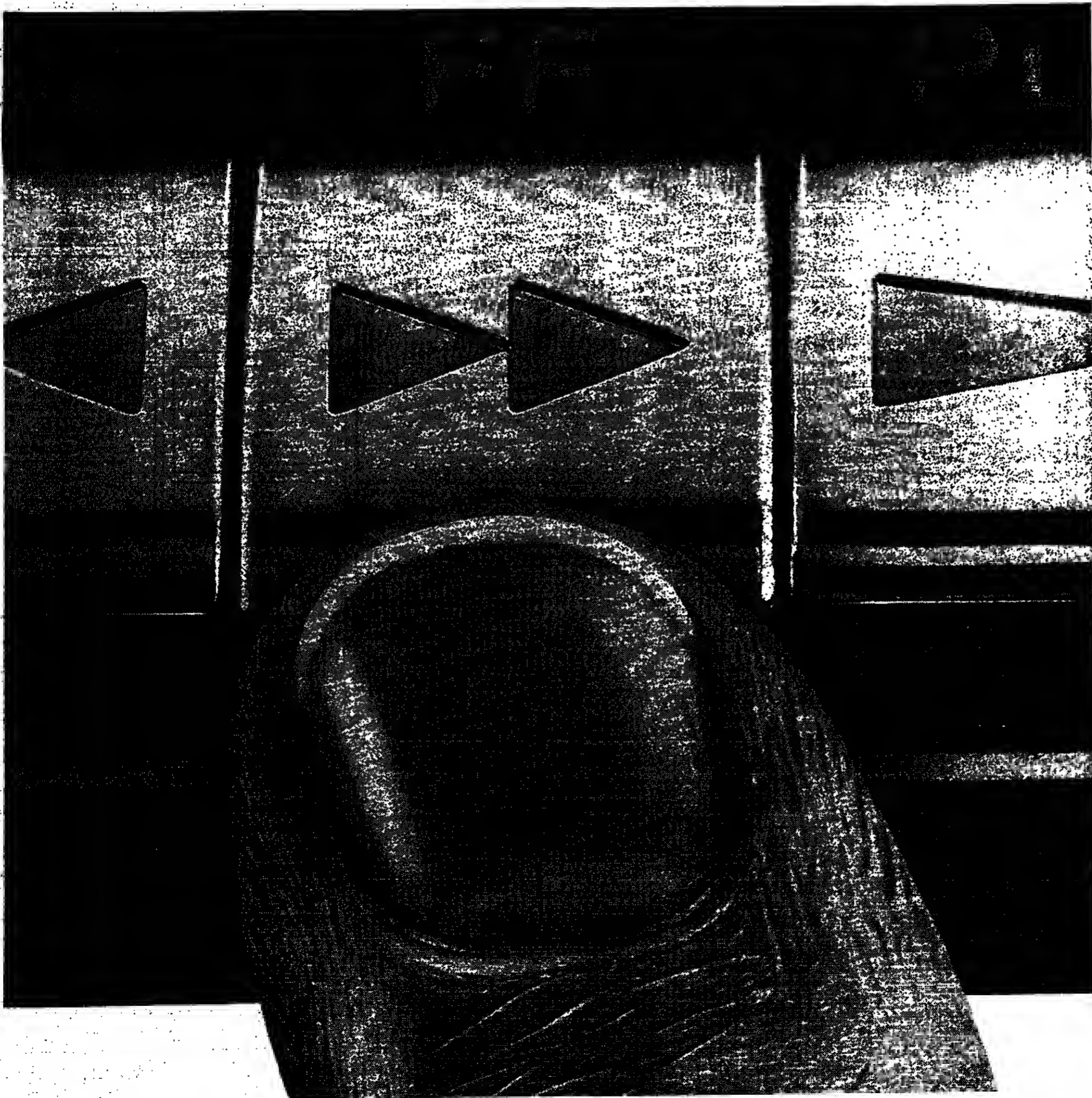


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MANAGEMENT: The Growing Business

In the first of a series which examines the challenges companies face in developing and bringing new ideas to the market, Charles Batchelor looks at the experience of widely differing enterprises

Why product development is a 'Smart' move

Rhos Engineering, a well-established but small Welsh subcontracting engineer, was tooling up for what looked like another routine contract to make wall ties when the deal fell through. Faced with the prospect of writing off its £25,000 investment in plant and equipment, Rhos decided to redesign the ties - which hold the outer walls of buildings - and make them for its own account.

British-Bio has eight project teams working on new drugs in the fields such as coronary thrombosis, tissue repair and AIDS. McCullagh's previous experience as senior director of research in charge of 150 staff at Seattle has given him and his team the credibility to raise venture capital finance in the City on a scale impossible for most small firms.

Lord Young, Secretary of State for Industry, earlier this month announced an extension of the Small Firms Merit Awards for Research and Technology (Smart), the Government's main programme for helping small firms translate their ideas into marketable products.

Lord Young, Secretary of State for Industry, earlier this month announced an extension of the Small Firms Merit Awards for Research and Technology (Smart), the Government's main programme for helping small firms translate their ideas into marketable products.

Adams is in two minds about developing other new products given the additional demands placed on his small management team but he is convinced that the wall tie project will eventually prove its worth.

British-Bio has gone from just 11 to 120 employees, most of them highly qualified research scientists, in a very short time. It is currently into its third round of fund raising with a target this time of £30m. Turnover last year was just £1.1m, producing a pre-tax loss of £1.5m, but Keith McCullagh, the chief executive, and his financial backers are looking for substantial profits when the company's first products come to market in the mid-1990s.

Most companies with a new product programme to fund must fall back on the conventional sources of finance such as their family or the bank manager.

Less time has been devoted to the difficulties facing the smaller firm despite studies which have shown that these companies are more inventive than their larger rivals.

But set against these advantages are the limitations which apply to the small and medium-sized company in every area of activity - its lack of management and financial resources. Innovation in any company is a high-risk business because, unlike a well-established product, neither the technological performance nor the size of the potential market can be forecast accurately.

Important areas which the growing company must manage well include: the technology risk. The large company can budget for failures among its portfolio of new product launches, the smaller company with more limited resources may itself go down if a major new investment fails to live up to expectations.

Bob Thomson, managing director of Callbox, a Monmouth, Gwent-based company which has developed a device to link a computer to the telephone to allow both to be used at the same time, acknowledges that marketing posed major problems.

One of Thomson's mistakes was to keep his invention secret until he had launched the product on the market. "Because it was unique in providing a voice interface between computer and telephone we had to educate the market about what it was Callbox did," he says.

There's always resistance to a new product," he says resignedly. "There's always resistance to a new product," he says resignedly.



Bob Thomson: "It's nice to be first; it's even nicer to be second"

Each project has been selected either because it involves innovative technology or because British-Bio's directors believe their researchers can make a significant improvement to existing technology.

The project teams of between 12 and 15 people review progress every six weeks to see they are not falling behind schedule and that competitors have not announced a rival product. Magazines, patent filings and the gossip in the corridors of scientific gatherings are monitored. If a project loses its competitive edge it will be axed, says McCullagh.

Companies with established products can minimise their risk by selecting new products which do not diverge too far from their existing range.

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so there was a three month time lag before orders started coming in." Thomson had also targeted dealers who, he thought, would promote his product. "But their willingness to get behind us was non-existent," he recalls. Callbox finally achieved a breakthrough by concentrating on large corporate buyers and made sales of £250,000 in 1988. "It's nice to be first," says Thomson ruefully. "But it's even nicer to be second."

Thomson had spent 12 years as a product development consultant before launching his own business last year so he was pretty sure that there was a market for his product. "I didn't do market research," he says. "I went on gut feeling which is a risky way to do it."

But gut feeling often is the only way to launch a new product. Inventor Richard Patne says his review of their packing machine in Swanssea's Morfa Stadium but has yet to win commercial orders. Surprisingly - or perhaps not - Davies has run into some resistance from the coaches his machine is designed to help. They see a threat from the electronic wizardry of the Electropacer to their own skills at devising training programmes for athletes.

Brian Davies set up Pelydryn, a Swansea-based company, to develop and market the Electropacer, an electronic pacing system for athletes. He was convinced that there was a market for it among municipal and private running tracks in Britain. But in order to break into the less familiar US market he is carrying out market research.

Davies' three-strong team has installed a demonstration model of their pacing machine in Swanssea's Morfa Stadium but has yet to win commercial orders. Surprisingly - or perhaps not - Davies has run into some resistance from the coaches his machine is designed to help. They see a threat from the electronic wizardry of the Electropacer to their own skills at devising training programmes for athletes.

There's always resistance to a new product," he says resignedly. "There's always resistance to a new product," he says resignedly.

A subcontractor's lot is not a happy one

Charles Batchelor on small electronics firms in south-eastern France

Small electronics subcontractors in south-eastern France are failing to grab their share of work from the large electronics companies in the area, according to a recent study.

The survival of small subcontracting businesses after the creation of the single European market is a subject which has also been concerning the European Commission's directors of enterprise policy (formerly the small firms task force) and the French study may have implications for subcontractors elsewhere in the community.

The EC is concerned at the trend for large companies to demand closer links with a smaller number of subcontractors. This poses challenges for the subcontractors which retain the business and a threat to those shut out.

Large electronics companies in the Alpes-Maritimes departement employ a total of 8,500 people and have been expanding at a rate of 20 per cent a year, the study showed. Small local subcontractors did not have a strong position, however, and won only 25 per cent of potential orders.

Local subcontractors employ only 420 people, a number which, in theory, could be quadrupled if all contracts were placed in the Alpes-Maritimes. Despite efforts to change the departement's image, the study says, the large French and foreign electronics groups based locally do not regard the region as a major target for work which

they subcontract out. Their local establishments tend not to be made responsible for placing subcontract work.

The picture varies from sector to sector, however, and there are some exceptions, notably software, for which 87 per cent of contracts are placed locally.

Local subcontractors tend to be very small "artisanal" companies with turnover of around 77.5m (€40,000). They are not geared up to industrial scales of production and are thus unable to handle the volumes required by large manufacturers, the study showed.

Some sectors, such as design offices and printed circuit manufacturers, are adapting to change but others, in the fields of cabinet, assembly and installation, are doing less well.

Ways in which subcontractors might improve their position include grouping small companies together, organising seminars to study the problem and providing support for new companies in product areas which are at present not covered.

Organisations, such as the local chambers of commerce, are attempting to increase awareness of the need for quality, to create a brand image for companies in the departement, to provide information on European standards for industry, and to arrange seminars on technological subjects.

The study was prepared by the Societe Francaise pour le Choix d'Azur Development Office, Palais de Departement, BP 112-06003 Nice Cedex. Tel. 93 32 42 42.

In brief...

St. Britain's largest venture and development capital investor, is inviting managers to break out of the confines of large corporate structures with a series of seminars to be held around the country. The "Break-Out" campaign is to be staged at what St. Britain calls "discrete country house locations" in May and June and will look at the management, legal and financial issues involved in buy-outs, buy-ins and start-ups. Contact: Pat Broad, 31, Waterloo Road, London SE1.

Prize Waterhouse, the accountants, have updated their two-year-old Business Starter-Pack to take into account the changes introduced in the 1995 Finance Act. The pack compares the merits of being a sole trader, an individual, a partnership or a limited company. It also includes information on UK and European Community grants and loans, commercial leases and employment legislation. Available free from Publications Office, Prize Waterhouse, Southwark Towers, 38 London Bridge Street, London SE1 3ST. Tel. 01-407 8888.



announced an extension of the Small Firms Merit Awards for Research and Technology (Smart), the Government's main programme for helping small firms translate their ideas into marketable products. Smart has £29m to spend over the next three years on some 700 companies. These numbers amount to peanuts compared with the needs of innovative companies, the critics say.

The British Government pays absolute lip-service to helping the inventor," says Richard Paine, chairman of Inventalink, an "invention sales company" set up seven years ago to find outlets for good ideas. The inventive ability of the British is not in dispute - look at the country's track record in producing Nobel prize winners - but their ability and commitment to turn these ideas into profitable products is poor.

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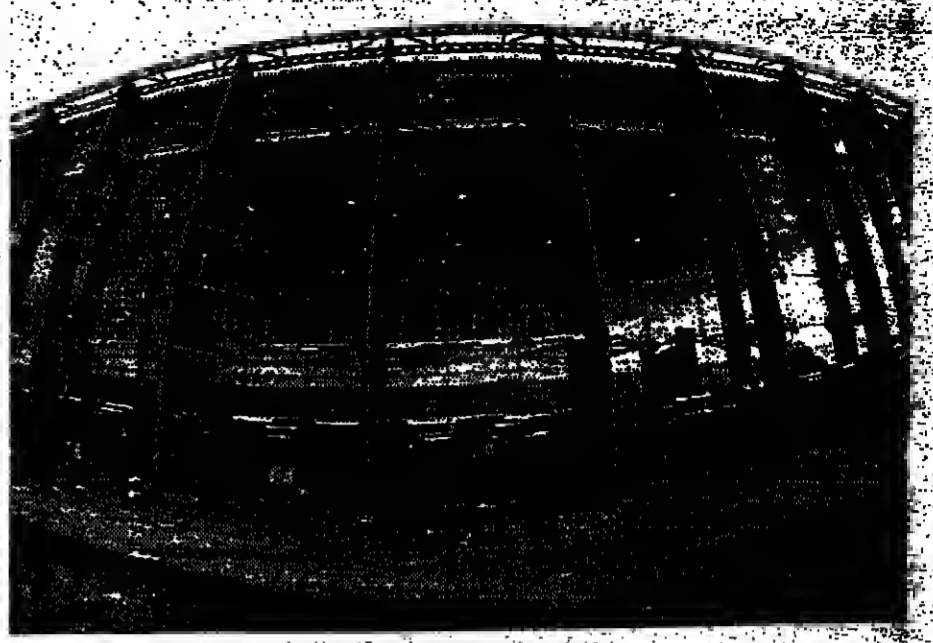
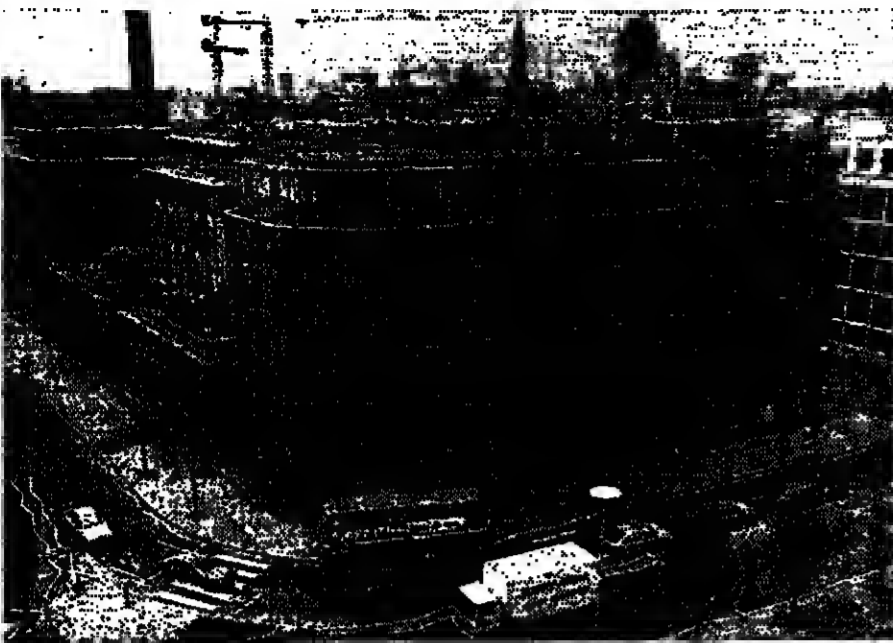
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ARTS



The old headquarters, Bracken House, now sold to the Japanese; the new offices at Number One, Southwark Bridge; and the printing works at East India Dock.

ARCHITECTURE

Goodbye Bracken House, hello Southwark Bridge

As the FT moves Colin Amery salutes the old and describes the new offices over the river and the printworks at East India Dock

"All this glass and concrete will be out of date in a hundred years... my building is designed to last at least three to four hundred years. These were the words of Sir Albert Richardson written in 1959 when Bracken House, which he had designed, was first opened as the purpose built home of the Financial Times. In terms of the endurance of materials Sir Albert may not have been wrong. He was not thinking of computer technology, advanced telecommunications and the possibility of the separation of editorial production and printing. Nor did Sir Albert anticipate the phenomenal rise in land values in the City of London which made it possible for Pearson, the F.T.'s owners to realise £143m when they sold Bracken House to Obayashi Europe of Japan in 1987.

Until very recently newspapers were one of the few industries that continued to function in city centres. Today most national newspaper production takes place on the urban fringes, in plant built on cheap or subsidised development land close to the means of distribution. The close knit community of writers and printers in and around London's Fleet Street has been totally dispersed for ever.

Architecture is the product of social changes and is often only too accurate a mirror of the society it

serves. Today no one is building anything that will last a hundred years. Commercial and industrial architecture has to respond to tight and controlled financial constraints and it takes a very good architect to demonstrate that quality of design and cost effectiveness are not exclusive. The Financial Times has been experiencing these pressures and potential conflicts in the development of its new buildings for printing in London's Docklands and its offices in Southwark.

There has been some sadness at the departure from Bracken House because, despite its awkward plan and difficult circulation, it is a building with a strong personality. Sir Albert Richardson knew what he was doing when he designed a red Hollington sandstone and brick palazzo based on Turin's Palazzo Carignano to be a good neighbour to Wren's cathedral. The recent listing of Bracken House by the Department of the Environment is an acknowledgement of the quality of the craftsmanship and materials - particularly on the exterior. Sir Albert designed the bronze windows, the copper flashings and the cut bricks in patterns of oak leaves because he wanted the facade to look modelled. He was very critical of much contemporary architecture. Modern offices, for him, were "the monotonous repetition of cellular

facades cloaked with vitreous indifference."

Not everyone would agree with Sir Albert about the virtues of Bracken House, although few would deny its strong character. When it opened in 1959 Arthur Christiansen, a former editor of the Daily Express, contrasted Bracken House with the black glass art deco home of Beaverbrook Newspapers. "I would expect the Express to belch out of its glass house, but the most I could hope for from Bracken House would be Crocodile, the annual register of Britain's parish priests."

Christiansen felt overwhelmed by a curious religious sense and for him a visit to the editor was like seeing the Dean in his vestry. In fact the offices at Bracken House were not dark or solemn and when the building is remodelled for its banking purpose with dealing rooms where the printing works were, Richardson's restraint and elegance will be appreciated again.

But what of the new? The print works at East India Dock are already a landmark. The architects were Nicholas Grimshaw and Partners working with the press and interior architects, Robinson Design Partnership. They achieved an excellent building working at great speed. The site was cleared in early 1987 and the plant was functioning in September 1988. Anyone passing

The Financial Times has chosen its architects well. Nicholas Grimshaw has been chosen to design the British Pavilion for the 1992 Expo in Seville, and Michael Hopkins and Partners for a new opera house at Glyndebourne - equally prestigious commissions

70,000 copies an hour of a 56 page F.T. roll off the presses.

The architects understood the cool majesty of these great machines and the elegance of the giant glass wall. The simplicity of the plan - paper store at one end, presses in between and despatch at the other - is a tribute to a refined production process. This is a state of the art building for an advanced process. The great glass window is supported by a spectacular series of projecting steel columns with tension rods and outriggers that seem to stretch out their arms to stabilise the acreage of glass. There is a slightly fortified look to the twin entrance towers on the south side of the plant - projecting as two curved elements.

So few of the newspapers that have relocated their printing to Docklands have produced any architecture at all worthy of the name. This print works is of outstanding quality because it has remained simple and responds to the directness of the printing process. It is Dockland's first architecturally significant large scale landmark.

When it came to relocating the offices, an appropriate site as near as possible to the City was the first priority. Sadly this ruled out the largely open plan cool offices. Industrial patronage to the commissioning of its own London HQ. The

search for a spec. office building offered a narrow range of possibilities and Number One, Southwark Bridge was the almost inevitable selection.

It is not a building of any architectural distinction from the outside. It is a perfect example of what happens when buildings are designed by developers as a speculation. It was designed by a firm of architects, T.P. Bennett. It is a design of the late 1960s built in the late 1970s. As a tinted glass box with a cheap looking blue metal roof, it keeps its virtues hidden until you reach the interior.

The building was purchased as "shell and core" and the interior was completely designed for the F.T. by architects Michael Hopkins and Partners. Hopkins had some experience of newspapers recently fitting out the new Dockland premises of the Daily Telegraph. He consulted widely on factual matters - space and storage - but in matters of colour and finish he has produced a neutral series of office floors. The design is cool and quiet; walls are grey or white, the carpets are grey and all the furniture is grey and black. The more senior staff have simple wood panels for walls, the main body of employees work in a largely open plan cool offices. Insiders will ensure that air conditioning is healthy, and the river views for

those lucky enough to have them are dramatic. The editor and the senior management have a perfect view of the architecturally wrecked City still dominated (only just) by St Paul's.

It is not easy building in the London Borough of Southwark. Bracken House has some considerable local constraints. The new F.T. offices form part of a larger Regent development that will include local housing, flats and offices. It is early days to assess reactions to the cool, white world of the new F.T. It will have to have the character of Bracken House but it will be efficient and elegant within. The F.T. has a fine collection of contemporary British art which will enhance these new offices and I hope that a major art work can be commissioned for the River Thames promenade to make the otherwise bleak black into something of a highlight. Perhaps Michael Hopkins will design a futuristic version of the famous astronomical clock that will have to be left at Bracken House. The powers that be at the F.T. have chosen their architects well. Nicholas Grimshaw has just been chosen to design the new British Pavilion for the 1992 Expo in Seville, and Michael Hopkins has won the competition for a new opera house at Glyndebourne - equally prestigious commissions.

Don Carlos

COVENT GARDEN

For the very last time, the Royal Opera have brought back the 1958 production of Don Carlos - still perhaps the company's most prized achievement of the postwar period. For many people it was in this theatre that one of the greatest of operas was revealed in its full greatness: one of the serious operas, the kind that forever afterwards makes a difference to the way one looks at, thinks about, the world one lives in.

In recent seasons it had begun to go shabby; one wondered whether its natural lifespan had been overestimated. But the company's new production overseer, John Cox (what a good season he is having!), has hunched up on Luciano Visconti's original. Details are made fresh, lighting is exact, all the parts (apart from some oddities in the Auto-da-fé) are in place. The conception seems at once "historical" and newly meaningful - and now one feels a pang over its impending expiry.

Don Carlos, in all its authentic forms, is a French Grand Opera (pace an essay in the programme there is no more reason - except hidebound tradition - for singing it in Italian in London than there would be for singing Messiah in German in Paris). The Royal Opera tried to do it in the original, in 1983, but failed badly and thereafter fought shy. This last-ever revival is shrewdly cast with lightish Verdi voices, carefully matched; the French language would, one feels, have suited them much better than the (clumsy) Italian translation.

The particular "flavour" of the 1989 cast finds its summary in Samuel Ramey's Philip. He is slight of build; he does not baffle the opera with Christoff's dark grandeur. But the fine-grained poise of his singing, with its nuances of colour and musicianly control of phrase, works up a noble intimacy of character in all the important places (Ramey's contribution to the Act 4 quartet is of extraordinary beauty). And the fact that this king is over-

topped and out-thundered by Willard White's Inquisitor, a simply tremendous performance, lends something vivid to one's sense of the opera's tragic pessimism.

Carlos is Dennis O'Neill, a dark, eminently Iberian princeling. The voice is not free of passing impurity but the style is refined. Mr O'Neill savours words and makes them ring; his recitative in the final duet has dignity and amplitude. The friendship with Don Quijote's elegant, immaculately sung Posa is credible and touching as it occasionally falls to be when undertaken by more conventional Verdian heavyweights.

Elisabeth de Valois is Katia Ricciarelli's most moving London role, darkly grandeur. But the more than 11 years ago; now the top is unreliable, but the radiance of timbre and personality has been subtilized to heartbreaking warmth. In the final scene she does not show us the straight-backed and resolute queen that made Josephine Bastow's ENO Elisabeth so mem-

orable; all is tender, graceful, suffused with grief and mature wisdom. Her avoidance of all vulgar effect tends to highlight the crude blacks-and-whites of Agnes Baltsa's Eboli - still exciting at top and bottom but abominably clouded in the middle, and minimally characterized.

The conductor is Richard Armstrong. The playing and choral singing are not quite first-rate, but Mr Armstrong's wealth of experience with this opera comes through in the scenes of close confrontation and personal intimacy, paced and shaped with quicksilver sensitivity both to Verdian values and the vocal character of his cast. The edition chosen is the same as that used in 1958 - but therefore, being the "lost" Don Carlos music rediscovered in the early '70s but also with none of Giulini's disfiguring internal cuts. Altogether, this counts as one of the London season's great achievements.

Max Loppert



Cynthia Sikes and Robert Westenberg

Into the Woods

MARTIN BECK THEATRE, NEW YORK

In New York recently I thought I should catch up with the latest Stephen Sondheim musical. An act of duty was transformed into an experience I shall never forget. On every level - design, direction, orchestral scoring, performance and musical numbers - Into the Woods strikes me as the nearest the contemporary musical has yet come to a masterpiece.

It marks the second collaboration between Sondheim, responsible for music and lyrics, and the director/librettist James Lapine. Their first, Sunday in the Park with George, was a pointillist evocation of the Seurat painting followed, in the second act, by a contemporary application. The brilliance of that piece's structure is further developed here with the overlapping fairytales of the first half intricately darkened and entwined in the second.

The legends, separately introduced by the Narrator, are those of Rapunzel and the sorceress, Cinderella, Little Red Riding Hood and Jack and the Beanstalk. The cogent story is that of a childless Baker and his wife, invented by Lapine, who are despatched on a quest to the forest to find the ingredients for a magic potion. The stories jangle and interweave with Cinderella seeking the festival, Little Red her grandmother and Jack an economic exchange for his milky white cow.

A series of antithetical clashes is established with the mysterious underworld of the witch, and the superior intervention of two princes. In the second act, after a false happy ending, the characters are inflicted with the social catastrophe of a looming Giant. The Baker's wife is seduced by the Prince ("I was raised to be charming, not sincere") and accidentally killed. A child is born. Eyes are gouged out. People bend together against the evils of the wood and the world.

This is much more than a post-Freudian view of fairy tale. It is a creative meditation on the adult properties of children's fiction, an exercise common to many Broadway artists in the 19th century. Richard Doyle's fairyland drawings and Gustave Doré's somber cartoons (one of which depicts Little Red intriguingly unfringed in bed with the wolf) come to mind.

But the crucial reference work here is surely Bruno Bettelheim's 1976 treatise The Uses of Enchantment in which the critic summarises the sexually and brutally ambiguous nature of much fairy tale, the transforming function of the incestuous forest, and his representation of the unconscious.

Tony Stranges' miraculous design is dominated by the tangled trees and bracken of a creepy hinterland, a dark metaphorical place that is the exact opposite of another Sondheim escape destination for that work, the country in A Little Night Music.

The music is graceful and witty, redolent of both nursery rhyme and Disney film scores, lit up by sun and moon and properly atmospheric at all times. Since starting once more from scratch with Lapine for the 1982 New York production, Sondheim has won the competition for a new opera house at Glyndebourne - equally prestigious commissions.

ARTS GUIDE

MUSIC

London
Stan Tracey Big Band. Tribute to Duke Ellington, including The Genesis Suite, Barbican Hall (Thurs) (838 8891).
Sviatoslav Richter, piano recital, Barbican Hall (Wed) (838 8891).
English Chamber Orchestra, conducted by Ian Watson. Handel's Messiah, with Riddowen Harry (soprano), Catherine Denley (contralto), William Kendall (tenor), Peter Harvey (baritone), and the English Chamber Orchestra Chorus, Barbican Hall (Thurs) (838 8891).

Paris
Quatuor Intercontemporain: Webern, Szycanowski, Berg (Wed) Radio France, Studio 106 (82301516).
Akin Vanzo presents Valerie Millet (soprano), Anne-Marie Fontaine (piano) (8.30pm), Martina Arroyo (soprano), Henri Venanzi (piano) (8.30pm), (Wed) Châtelet (42282828).
Jean-Marie Leclair, piano. Brahms, Chopin, Schumann (Wed 8.30pm) Théâtre de la Ville (4272277).

Vienna
Wiener Mozart Orchestra in historical costume, conducted by Konrad Leitner, Konzerthaus (Sat, Sun).
Wiener Klavierkonzert. Mozart, Mahler, Brahms, Palais Pálffy (Sat, Sun).
Kammerkonzert Haydn Sinfonietta, Palais Auerberg (Sun).
Wiener Sinfonischer Quartett. Beethoven, Bocca, Urbaner, Musorg-

sky, Konzerthaus (Wed).
Claudio Arrau, piano recital. Beethoven, Liszt, Muszkverein. (Thurs).
Frankfurt
Frankfurt Opera perform a concert version of Rossini's 1808, with Manfred schenk in the title role, Eduardo Villa, Lajos Miller, Alejandro Ramirez, Valentín Jar, María Zamperini and Doris Söllig. Aïe Oper (Thurs).
Coloño
Young German Philharmonic conducted by Myung Whun Chung. Beethoven, Penderecki, Shostakovich, Philharmonie (Thurs).
New York
Diane Walsh piano recital. Beethoven, Schubert, Scriabin, Hugh Atken, Bartok, Merkin Hall (Thurs) (382 8719).
Orion String Quartet. Haydn, Mendelssohn, Bartok. Kaufmann Hall (Tue) (8900).
New York Philharmonic conducted by Klaus Tennstedt with Benita Valente (soprano). Schubert, Mahler. Avery Fisher Hall (Tue, Thurs) (874 6770).
Charles Libove (violin) and Nina Lugovoy (piano) recital. Walter Piston, Beethoven, Robert Starer, Morton Gould. Merkin Hall (Thurs) (382 8719).

Washington
National Symphony Orchestra conducted by Zdenek Macal. Zwilich, Schubert, Smetana. Kennedy Center Concert Hall (Tue) (524 3776).

Chicago
Chicago Symphony Orchestra conducted by Leonard Slatkin. Haydn, Dvořák, Brahms. Orchestra Hall (Tue) (435 0012).
Chicago Symphony Orchestra conducted by Kenneth Jean with Ken Noda (piano), Tuberepult, Mozart, Dvořák. Orchestra Hall (Thurs) (435 0012).

Tokyo
London Symphony Orchestra, conducted by Michael Tilson Thomas. Ravel, Gershwin, Scriabin. Suntory Hall (Mon) (289 9999).
Valery Alexeev (piano) with the Tokyo Metropolitan Symphony Orchestra, conducted by Kazuo Yamada. Stravinsky, Schumann, Brahms. Tokyo Bunka Kaikan (Tue) (822 0727).
Tokyo Symphony Orchestra, conducted by Ken-ichiro Kobayashi. Works by the contemporary Japanese composer, Muro Ichioka. Suntory Hall (Wed) (485 6115).

Opera and Ballet
London
Royal Opera, Covent Garden. Luciano Visconti's famous 1958 production of Don Carlos returns to the stage, directed by Richard Armstrong, with a cast including Samuel Ramey, Dennis O'Neill, Katia Ricciarelli, Agnes Baltsa, and Gino Quilico. Last performance of the fledgling, shallow new Cost Jan tette produced by Johannes Schaal and conducted by Jeffrey Tate. English National Opera, Coliseum. Jonathan Miller's dark, handsome staging of Don Giovanni is revived with Steven Page in the title role, Rita Cullis as Anna, Elizabeth Byrne as Elvira and Jane Glover (making her ENO debut) as conductor. More performances of the first-ever Coliseum Falstaff, produced by David Pountney and conducted by Mark Elder or Lionel Friend, with Benjamin Luxon at the head of an excellent cast.

Paris
Théâtre des Champs Elysees. Rossini's William Tell with Michael Schoenwandt conducting the Orchestre National de France in a new co-production between the Théâtre des Champs Elysees, Teatro alla Scala, Nice Opera and the Total Foundation for Music (42203877).
Paris Opera. Tchaikovsky's Sleeping Beauty in Rudolf Nureyev's production and choreography after Fedya conducted by Patrick Fournillier alternating with Vello Paeht in Nicholas Georgiadis Decors and with Paris Opera stars (42263771).

Vienna
Stanzoper. Parsifal is conducted by Horst Stein, with Gwyneth Jones, Waltraud Wenzauer, Margareta Fintenzlein in the cast. Der Rosenkavalier is conducted by Horst Stein and sung by Lucia Popp, Patricia Wise, Alfred Strass and Peter Seibert.
Il Trovatore is conducted by Benjamin Kloboncar, with Martina Dupuy, Brigitte Poeschner-Kleber and Piero Cappuccilli.
Volksoper. In repertory: Don Giovanni conducted by Dietrich Bernet. Els Webertrauer, conducted by Herbert Mogg. Das Land des Lächels conducted by Rudolf Bihl. Kiss me Kate conducted by Herbert Mogg. Edifmanas Erzählungen conducted by Dietrich Bernet. Die lustige Witwe conducted by Rudolf Bihl (81444, ext. 2850).

Berlin
Opera. Orpheus und Eurydice returns with a new cast led by Hanna Schwarz, Lucy Peacock and Carol Malton. Passer, sung in French, features Inge Nieberg, Marcia Bellamy and Giacomo Aragall, and is conducted by Jesus Lopez-Cobos. The successful Götz Friedrich Götzdämmerung is strongly cast with the Young, Hanna Schwarz, Eva Johansson and Spas Wenkeff.

Hamburg
Opera. Tristan und Isolde has a fine cast including Ring Gabriel, Hans Schwarz, Wilhelm Johns, Harald Stamm and Siegmund Nimsger. Eugen Onegin is sung by Karita Mattila.

Dupire
Evangéline, Wolfgang Brendel, Kurt Holl and David Rendall and conducted by Gerd Albrecht.

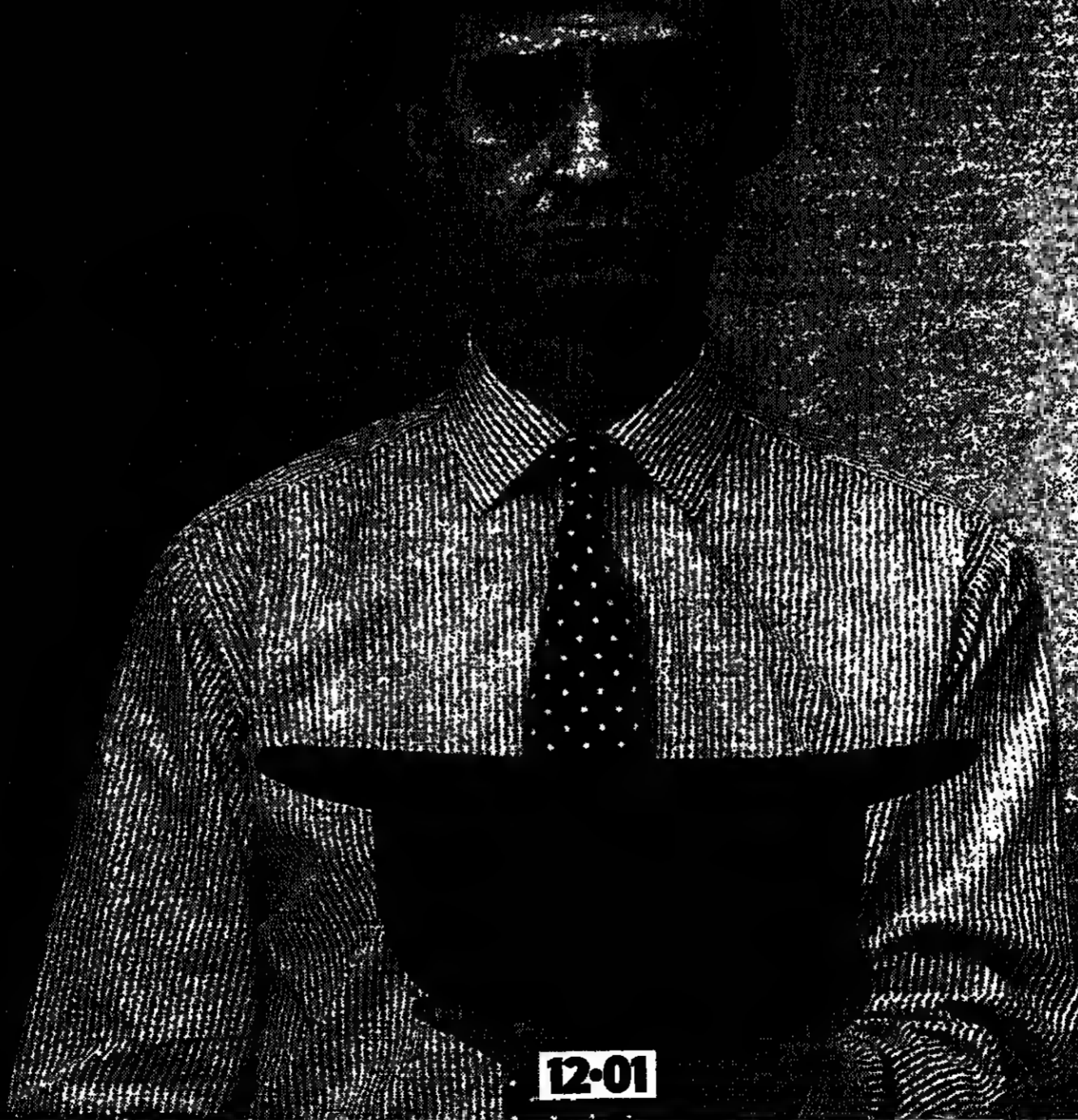
Frankfurt
Opera. The Liebi brothers' festival, Little Red her grandmother and Jack an economic exchange for his milky white cow.

New York
Metropolitan Opera. Jessye Norman sings Siegfried, with Hildegarde Behrens as Brünnhilde and James Morris as Wotan in the first seasonal performances of Die Walküre, conducted by James Levine. The week's performances also include Biglietto with Hei-Kyung Hong as Gilda and Leo Nucci in the title role, conducted by Nello Santi and Eugene Oragin conducted by Andrew Litton with Mirella Freni as Tatjana and Jorma Hynninen in the title role. Lincoln Center Opera House (828 8000).
Antologia de la Zarzuela. South American company of 80 dancers, singers and musicians perform with lavish sets. City Center (851 7907). Ends April 2.

Washington
Martha Graham Dance Company. Mixed programme of the notable modern ballet company features Tapestries of the Moon, Appalachian Spring and Acts of Light. Kennedy Center Opera House (354 8770).

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Tuesday March 28 1989

The runway dilemma

THERE IS a broad consensus in the aviation world that south-east England will run out of runway capacity towards the turn of the century. The Civil Aviation Authority (CAA) recently forecast that the number of passengers using London's four airports - Heathrow, Gatwick, Luton and Stansted - would more than double to 123m by 2005. In the past forecasters have seriously underestimated traffic growth. It would not be surprising, therefore, if capacity constraints start to bite sooner than expected.

Lead times in runway construction are long, not least because of the intensity of environmental opposition to infrastructure projects of this kind. Past experience suggests that a decade is likely to elapse between the filing of a formal application and the landing of the first aircraft. The CAA is keen that efforts to identify appropriate sites for a new runway begin immediately. It cannot make decisions about air-space management until the new runway's location is known with certainty.

The CAA call for an early decision on a new runway was backed last week by the House of Commons select committee on transport. The CAA has refused to say where it thinks the new runway should be built, although it favours a position south of the Thames. The select committee is less coy. It believes a second main runway should be built at Gatwick, despite the many "difficulties and obstacles". A group of senior British Airways pilots have endorsed this call, arguing that Gatwick is more dangerous than many other airports because of the large number of aircraft using the single runway.

Peculiar situation

In many countries, assessments of the need for and location of a new runway would be taken by Government. It would undertake a cost-benefit analysis of various possible sites, taking full account of the implications of any decision for the environment and other modes of transport such as roads and rail. But Britain is now in a rather peculiar situation. Since the sale of British Airways to the private sector, Heathrow, Gatwick and

Mrs Thatcher in Africa

SOUTHERN AFRICA will have had two important visitors in the space of a week: Mrs Margaret Thatcher, the British Prime Minister, and Mr Amalio Adamishin, the Deputy Foreign Minister, a significant player in the negotiations that led to the southwestern Africa peace pact.

In the pre-Gorbachev era the excursions might have prompted mutual, albeit rattling, today they boost hopes for an end to the region's conflicts, for London, Washington and Moscow are moving towards shared objectives in Africa. A stable transition to independence in Namibia and an end to the conflict in Mozambique could set the stage for an international effort to encourage reconciliation in South Africa itself.

For Mrs Thatcher, the safari marks a further stage in a remarkable relationship with Africa which began in Zambia nearly 10 years ago. When some misgivings she used the 1979 Commonwealth conference to end the war in Rhodesia and created an independent Zimbabwe. The close relationship she subsequently formed with President Robert Mugabe survives the sharp differences between the two leaders over the merits of sanctions against South Africa.

Equally close ties with Mozambique, first established under the late President Machel, have been continued through President Chissano, whom she meets during her visit to Zimbabwe. Mozambique is now pivotal in Britain's relations with black-ruled southern Africa. A substantial part of UK aid to the region is going towards the rehabilitation of Mozambique's ports and railways, vital if the region is to reduce its dependence on South African outlets.

Good relations

On her second visit to Africa a little over a year ago, when Mrs Thatcher visited Kenya and Nigeria, she demonstrated that differences over sanctions need not stand in the way of good relations with Africa. And it is Mrs Thatcher's opposition to sanctions that endears her to South Africa's ruling

Stansted have been in the hands of a privately-owned company, BAA. Ministers can permit or refuse a planning application, but they cannot instruct BAA to build a new runway.

BAA argues that it is premature to start worrying about the need for a new runway. The select committee finds this attitude "puzzling". But there is no puzzle. BAA is a commercial company, its interests are not those of the country as a whole, its job is to make a profit for shareholders.

Restricting supply

In the short to medium term, BAA can make a higher return by building terminals (and feeding more people through its duty free shops) than by embarking on a very expensive capital project. Like any monopolist it has an incentive to restrict supply and raise prices. Provided runway capacity remains scarce, congestion in the south east will play into its hands. At some point, disgruntled travellers will be forced to use more distant airports or other means of transport, but not before a sizeable monopoly rent has been extracted from them.

The CAA has suggested that ministers explore the possibility of "somebody other than an existing airport owner" providing extra runway capacity in the south east. In other words it wants competition for BAA. But airport competition does not make much sense. What private consortium would risk investing in a runway without a guarantee that BAA would not decide, after all, to expand capacity at Stansted or Gatwick? In any case, it would seem perverse to build another single-runway international airport in the crowded south east, when two existing sites (Gatwick and Stansted) could theoretically be expanded.

Ministers are in an unenviable position. The privatisation of BAA poses awkward problems; so do other past decisions, such as the failure to leave space for more runways at Heathrow and Gatwick. But the Government cannot now duck its responsibility. The timing and location of a new runway are not matters that should be left to the private sector. The nettle needs grasping quickly.

National Party. The net result is that Mrs Thatcher carries more influence in Africa than any British prime minister since Harold Macmillan.

The Indian can be put to good effect. Mr Adamishin, now ending a tour of Mozambique, Angola and Zambia, will presumably have been outlining Moscow's reappraisal of its policy towards the region, in which stress is laid on negotiation rather than confrontation and transition rather than revolution in South Africa. Whether the two visits will produce quick and dramatic results is another matter. In some respects the timing is unpropitious.

Jenkin finds a gap

Lord Jenkin of Roding - a former Industry Secretary - has noticed a formidable trade gap and is trying to do something about it.

One of Jenkin's roles, now that he is out of government, is chairman of Lamco, the British subsidiary of Finnmap which is an association of Finnish paper mills. But it is not only paper products that have caused the surge in Finnish exports to Britain. Other Finnish goods have also been in demand, while British exports to Finland have been at best stagnating.

In 1980 Anglo-Finnish trade was just about in balance: around £m120m each way. Last year Finnish sales to Britain touched nearly £m120m. British exports were under £m50m. The Finnish figure was up over 17 per cent on the year; the British was down nearly four per cent. Although the Finnish rise was across the board, the biggest jumps came in chemicals and metals.

Jenkin has been trying to draw attention to the gap and to stress British opportunities in the Finnish market. He had some initial success in convening meetings of the DTI, the Foreign and Commonwealth Office, the CBI and the various Chambers of Commerce. But the general conclusion was that, nowadays, export promotion is largely up to the private sector.

Thus Jenkin is seeking to set up an independent organisation called Target Finland. It would be essentially a clearing house for companies interested in the Finnish market. He reckons that it needs £50,000-£60,000 as a launch fund and is suggesting that founder members should put up around £2,000 each.

The response so far has not been wildly encouraging. Jenkin, however, has now written personally to some 1,500 potential members inviting them

New realities

The National Party of South Africa is distracted by a leadership dispute that is unlikely to be settled until a general election, not expected before October. The Bush administration has yet to focus on southern Africa. The African National Congress still falls back on rhetoric rather than taking the opportunity to reappraise new realities.

There are, nevertheless, three issues where Mrs Thatcher's intervention could be persuasive. On Namibia, she will doubtless stress the importance Britain places on free and fair elections, using an African platform from which to convey a message to those in Pretoria who may be tempted to interfere with the UN-monitored transition. On Mozambique, she can throw her weight behind the tentative, US-brokered efforts to bring the government, the rebels and South Africa together for peace talks.

And in Zimbabwe she might urge Mr Mugabe to consider a more flexible response to a changing mood in southern Africa. It was incongruous to hear Zimbabwe's President castigate Pretoria last week within hours of a communique from Havana which highlighted the "constructive spirit" that had marked the meeting there between delegations from Angola, Cuba and South Africa. The essence of the message is that the case for further reform in South Africa may best be served by stability in the region.

John Gapper reports on how Birds Eye workers reacted to flexible working

It is dusk outside the doomed Birds Eye factory in Kirby. The setting sun is casting a red glow across nearby football fields and tower blocks. Day shift workers are emerging from the low building in which they have been preparing ready-made meals in plastic trays for busy young professionals.

A week before, they had booted the factory manager when he announced that all 880 workers at the plant were to lose their jobs this September because their union shop stewards had not agreed to new working practices and 380 redundancies. In the evening light, that defiance has turned to bitterness and uncertain despair.

"He came here to do a job on us, and now he's done it," says one worker of Mark Fitzpatrick, the plant manager. "Flexible working is coming everywhere, but they wouldn't pay us the price for it," says another. "This place has been crucified," says a third, heading for home in the post-war council housing estates nearby, hundreds and tens miles east of Merseyside, a group of women in white coats and hairnets are ripping the cardboard packing off frozen blocks of Scandinavian pollack, and heaving them on to a £10m automated processing line. Machines are slicing the blocks into strips, coating them in breadcrumbs, and deep frying them into golden fish fingers.

These women are on four-hour shifts at Birds Eye Wall's plant in Grimsby, to which half of Kirby's production will pass when closed in September. This is Workstyle, Birds Eye's system of flexible working for its five plants, which won a National Training Award in Grimsby and sparked the end of 36 years of production in Kirby.

"The point of Workstyle is to use the intelligence of our workers that we have ignored for 30 years, to involve as many people as possible in improving our efficiency. We never listened to them before, we just let them hang their brains on the gate as they came into work," says Tom Woods, personnel manager at Grimsby.

Workstyle, under which groups of workers exercise more control of the production process, and work without rigid boundaries between grades, is hardly altruistic. In existing Birds Eye Wall's plants, a cut of a third of the workforce was demanded. Those remaining were expected to work harder as well as contributing new, achieved new working patterns by persuading workers that the only alternative is plant closure and a move to a new site uncluttered by the habits of the past.

Birds Eye Wall's (a subsidiary of Unilever) first thought of the changes embodied in Workstyle a decade ago, according to Geoff Williams, employee relations manager. "Our workers were simply under-occupied," he says. "They worked in groups to allow several of them to be in the team at any time. We wanted to formalise the groups, but provide fewer people to be in the team."

It was not laziness on the workers' part. The problem lay in work organisation, and regular halts to production because of mechanical problems. In 1986, the company estimated that male process workers at Kirby spent an average of just 19 out of their 38 hours a week working productively. The plant achieved only 52.1 per cent of its production capacity.

In June 1987, the company set out to change things. It announced a four-year closure programme for its ice cream plant in Acton, west London and food plants at Great Yarmouth and Easingbourne, with the loss of 2,200 jobs. Ice cream production was to be shifted to the plant at Gloucester, and food capacity expanded at its Lowestoft plant. New production lines costing £60m were built.



The leap of faith that failed

The new lines were treated as greenfield sites. "We did not want to strap the old demarcations onto the new machinery," says Mr Williams. Workstyle was the name given to the new way of working at Gloucester and Lowestoft. Supervisors stepped back from control of production, and groups of workers were made responsible for tasks such as stock ordering.

By 1987, Workstyle was seen to be working at Gloucester and Lowestoft, and process workers were being paid a £7.50 a week supplement. In March, Transport and General Workers Union stewards representing Kirby workers asked if they could have

the promise of an accessible workforce nearby. In 1985, Birds Eye joined the others there. But in the 1970s, companies began moving out again to other sites. Unemployment in Kirby grew steadily, and with it social deprivation.

Birds Eye Wall's agreed within two weeks to try Workstyle at Kirby. It started with a presentation on March 22 1987 by Mr Fitzpatrick to the workers challenging them to accept a new way of working. "If we do not try this, we will never know if it could have worked. If we do not try, I for one would be pessimistic about the future of the plant," he told them.

However, few workers seem to have been convinced that Workstyle was more than a grand name for cutting the number of workers and raising productivity. Lillian Williams, a process worker at Kirby for 17 years, says: "We have virtually got Workstyle now. We cover for each other on breaks and we keep our area clean. We do things without being told to do them."

In June, the company's attention switched to its Grimsby and Hull food plants. At Grimsby, 1,000 workers - 1,040 of them women part-timers compared to only a handful at Kirby - were making fish fingers and packed-appeal meals. The plant was working at 65 per cent of capacity and the company was thinking of moving to a greenfield site at a cost of £30m.

George Tickle, the plant manager, made a challenge similar to that made in Kirby two months earlier. This one was more specific: the plant would close unless the workers accepted Workstyle. They were given a month to consider it, at the end of which GMB general union stewards

'The point is to use the intelligence of our workers that we have ignored for 30 years'

shared concern for the future of the plant.

The Prince of Wales has so far shown no known interest in the German Greens, but if he did, he would find that Schily has become rather a smart figure. He now outrages his own party more than the establishment with his un-Green taste for the good life and his undisguised contempt for most of his colleagues.

Yet the boyish-looking 55-year-old, who was raised according to Rudolf Steiner teachings, remains a key figure in radical ecological politics, and if a Red-Green coalition in Bonn ever came to pass, he might become Europe's first Green minister. Perhaps he should be invited to Britain.

Jenkin finds a gap

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Carloons

There is a splendid choice of cable television at the Ramnagh Palace Hotel in Jaipur, Rajasthan, but slight difficulties with the English. Recent programmes include Top of the Pope, Des O'Connor, Murder the Wrote, The Desert Song, and Carry on up the Jungle as well as a wide range of carloons. No mistake, however, with Yes, Prime Minister, which is at least as popular in India as it is in Britain and seems to be shown every day.

Anglo-French

The French Gaullists have a good deal in common with Margaret Thatcher's Conservatives, as Alain Juppe discovered when he dropped in on the Prime Minister and Chancellor Lawson over Easter.

Juppe warned to the theme of Mrs Thatcher's famous Bruges speech. No replacement of national bureaucracies by a new layer of European regulation? The Gaullists could not agree more. Respect for national cultures? Nobody believed in that more than the Gaullists.

Precisely because national cultures were so different, Community members should not have "other models". Juppe almost said German - of worker democracy imposed on them. On protectionism he said: "We don't want a Fortress Europe, but we don't want a see-through Europe either."

At a brief meeting with the press, Juppe was brought down to earth by a more local matter. "There is a widespread speculation," a questioner

Worth meeting

Otto Schily, the one-time "bête noir" of the West German establishment who defended the Red Army Faction terrorists in court and later became a dominant personality in the Green Party, would like to meet Prince Charles.

At a recent press dinner the radical republican expressed considerable admiration for the heir to the throne, and subsequent enquiries have established that he would jump at the chance to discuss their

Inspectors call

Britain is not alone in having problems with the quality of its food production. An article from the Novosti Press Agency, which admits a rising incidence of botulism and salmonella, records that in 1987 chief sanitary inspectors in the Soviet Union imposed 500,000 fines, stopped the operation of 80,000 enterprises, referred 21,700 cases to the procurator's office and 5,000 cases to the administrative commissions. "The criminal codes of constituent republics," it says, "envisage special punishment for sanitary rules violations which caused, or could cause, disease outbreaks."

In the near future, it adds, "effective control of food production by the self-employed will present the greatest difficulty, because our country has no such experience."

Japanese joke

What do General Douglas MacArthur, supreme of the post-war occupation force in Japan, and Hiromasa Ezo, the former chairman of Japan's Recruit publishing group, have in common? Both achieved a purge of an entire generation of Japanese political leaders.

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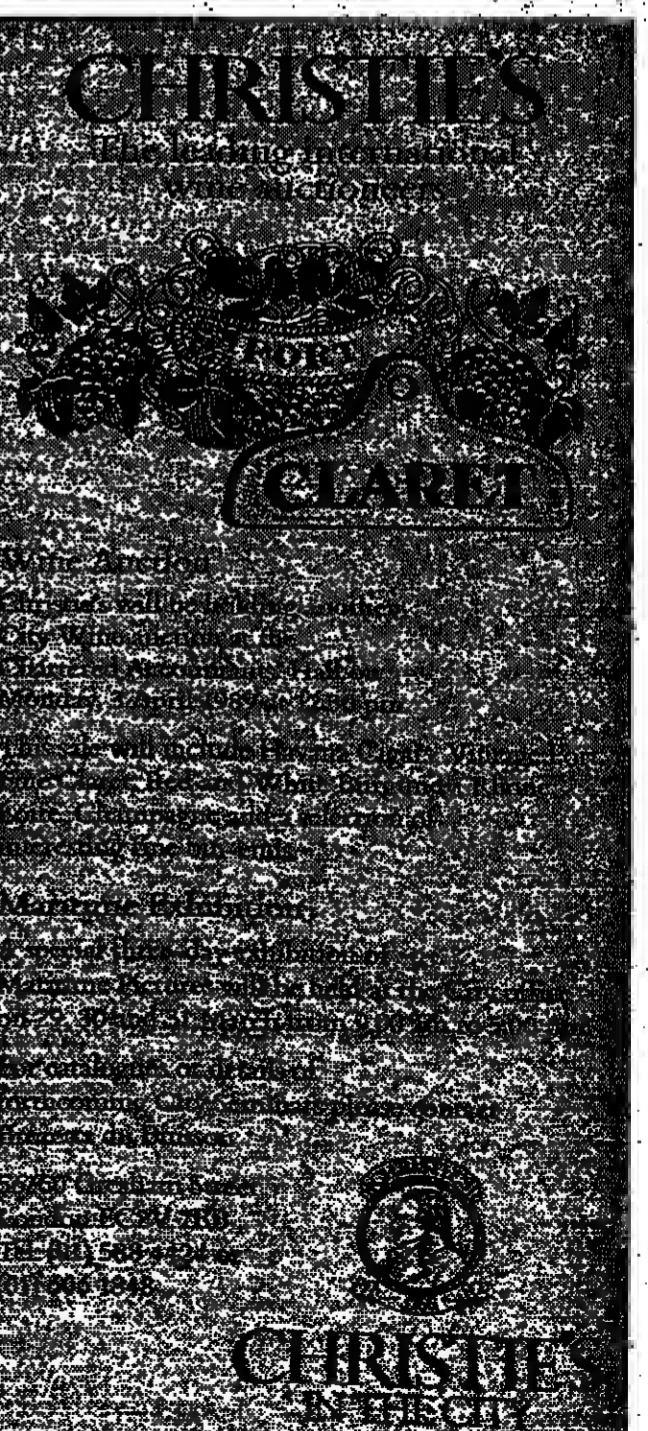
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Management buyouts

How to avoid potential conflicts of interest

By R.H. Grierson

I recently had the privilege of witnessing a giant American buyout at a remarkably close quarters. The US regulatory scene is not of course the same as that of the UK - more rigorous in some respects and more lenient in others - but the experience yielded food for thought on some of the problems which the new techniques may create in Britain.

Leveraged buyouts (LBOs) come in many different forms; not all of them raise issues of public policy. Indeed it is one of the ironies of the situation that the two features which have provoked the strongest public reaction - the greed of promoters and the substitution of debt for equity - are both relatively unobjectionable to public opinion.

In its literal sense a LBO is simply a takeover overwhelmingly funded with borrowed money. As such, its *modus operandi* is covered by the provisions of the Takeover Code and the responsibility of the banking authorities. Provided the buyout offer comes entirely from third parties, no conflict of interest need arise.

It is only when the incumbent management of a company becomes a party to an attempt to buy out its shareholders - a so-called MBO - that substantial possibilities for conflict develop. Even then this risk remains negligible where it is simply a case of a wholly-owned subsidiary being bought by management from its parent (a type of transaction facilitating the disposal of conglomerates of ill-fitting parts of recent acquisitions) and where negotiations take place at arm's length between parties equally in possession of all relevant facts.

It is when these two features - arm's length negotiation and equal access to facts - are conspicuously missing, which is inevitably the case when management attempts to alter the shareholding structure other than with existing shareholders, that public safeguards are needed. However attractive the price offered, the attempt to oust existing shareholders

for the benefit of new ones poses at the very least a moral dilemma for management; and this dilemma is often compounded by the exercise of the newly discovered technique of "putting companies into play." Not to put too fine a point on it, management in this type of situation all but says to its shareholders "We are able to unlock hidden value and offer you a price for your shares at which you would have jumped only a few days ago; but this requires you to shut your eyes to the fact that there is still scope for further profit, albeit at some risk, from which we have regrettably to exclude you since we prefer to share it exclusively with our new back-

the right to take part in transactions of this kind, especially if the alternative is to let their companies fall into outside hands. The problem is how to create the necessary safeguards, bearing in mind that shareholders' interests are not conspicuously served by rules which molest management to the point where it ceases to be able to manage.

The dilemma can be resolved if the intended safeguards focus on specific issues: One of the most delicate problems is how to prevent a situation where management has gone so far in mobilising outside support that the board's duty of disclosure could be held to prevail over

incidentally highlight the advantage of the Chief Executive Officer of a company not also being its chairman; in the American case of my experience the immediate availability of a non-executive chairman proved an invaluable asset.

The key issue, of course, is the introduction by management of outside financial backers into a buyout. When this happens, it should by law become the immediate duty of the board to seek the best available advice to establish whether results comparable to the proposed buyout could be achieved by an internal capital reorganisation for the benefit of existing as distinct from new shareholders; and there is no reason why management's ambition to obtain a large slice of the action could not be accommodated in such a process. It would at least provide a yardstick for measuring the offer.

The question whether a management team proposing an MBO can be left in place while an action of this kind takes place is a delicate one. It can be argued that this is a matter for business judgment by the outside board members and that suspension of the participants might in some circumstances do more harm than good; but it is a question for the public authorities to ponder. These or similar precautions would go a substantial way towards curbing the more abusive aspects of management-re-organisations while leaving the field generally open for a type of transaction which may have a useful role to play in a dynamic economy. But one should not lose sight of the fact that however much faith one has in the wisdom of the authorities the best safeguard of all - pace any American experience - is the permanently hovering shadow of private litigation. That this is occasionally pushed to excess in the US is undeniable; but it also keeps corporate America more honest than might otherwise be the case.

Boards of public companies must be made acutely aware of the potential conflict of interest between management directors and outside directors when an MBO surfaces and of the need for all corporate powers, including that of dismissing or suspending management for the duration, to pass immediately into the latter's hands. The exercise of these powers represents a strong test for outside directors and calls for the strictest neutrality. (MBOs

any other duty; for once this happens, the company is irreversibly "in play." A sensible precaution might be for the Takeover Code to impose on every director of a public company the duty to consult a lawyer the moment he or she becomes aware, however informally, of any preparations to this end; a more effective weapon would be for the Panel to let it be known that it might in such circumstances consider waiving the disclosure obligation altogether on the ground that management had unfairly forced the board's hand.

The author was until recently a member of the Board of RJR Nabisco, Inc.

The attempt to oust existing shareholders for the benefit of new ones poses at the very least a moral dilemma for management

ers who have agreed to make us a gift of a substantial slice of the equity." One has only to put it this way to see what a head-on challenge this presents to the principle of fiduciary duty and how close it comes to insider trading.

The counter-argument of *corpus venditor* does not really hold water. It is true that if shareholders do not like the terms of a deal, they can in theory frustrate it by not accepting the offer. But individual shareholders in large public companies do not remotely possess the powers ascribed to them unless someone takes the trouble to marshal their collective strength. On a few rare occasions skillfully orchestrated shareholder rebellions have succeeded; but in general, shareholders find it safer in a confusing situation to take their profit and withdraw from the scene.

What can be done to curb the element of potential abuse in this state of affairs? The answer is not self-evident. Managements cannot be denied

FOREIGN AFFAIRS

In search of a long-term vision

As Nato approaches its 40th anniversary next week, Edward Mortimer considers its future

The 40th anniversary of the North Atlantic Treaty, which falls in exactly a week's time, deserves to be celebrated with considerable pizzazz.

The alliance has proved one of the most effective peace-keeping devices in history. During four decades, which have seen vicious wars in almost every other part of the world, not one of the signatories to the Treaty has been the object of armed attack in Europe or North America, and Western Europe has enjoyed an age of peace, stability and prosperity without precedent.

Not only that, the Soviet Union now admits that it has fallen behind the West in economic growth, in technology and even in the civilised conduct of human affairs, is ready to learn from Western experience in all of these fields, and has accepted long-standing Western positions in several areas of arms control.

A rousing birthday party is surely in order. Indeed a 40th anniversary summit is planned, but instead of being in Washington next week it will be in Brussels in May; a *passive setting designed to lower the profile of the event.*



The truth is that Nato does not feel like celebrating. Its position is, a senior British civil servant remarked recently, "like that of the winning team in a tug of war: it finds itself momentarily off balance."

Well, maybe it is only momentary. I should say that depends very much on whether Mr Mikhail Gorbachev remains in power and continues with his present policies. If he does, the problem is likely to get more acute rather than less. At its simplest it is this: Nato exists to counter a perceived Soviet threat. If the Soviet Union is no longer perceived as threatening, Nato loses its raison d'être.

In what old-style Soviet propaganda used to call "Nato circles" there is a tendency to see this as essentially a public relations problem: to lament the skill of Mr Gorbachev in "manipulating" Western public opinion and to urge their own side on to greater efforts in this field. According to this

view the Cold War goes on, and basic Soviet objectives have not changed. Soviet leadership has simply become more diabolically ingenious. Public opinion has become the main battleground, and since it is assumed that the media shape opinion, we journalists find ourselves solicited for advice: how can Western policy be better presented?

My first instinct is to reply: damn the presentation, get the substance right. If Nato governments cannot agree on an issue like the modernisation of short-range nuclear missiles, no amount of presentation is going to conceal that.

But behind that disagreement, of course, lies the fact that West German public opinion, especially, no longer perceives the Soviet Union as threatening. Public opinion in other Nato countries is moving in the same direction, but at different speeds. Perhaps not many people are ready to dismantle Nato just yet, but relatively few see the updating of its nuclear arsenal as a matter of immediate urgency.

The trouble is, as governments generally are aware but the British and US governments more acutely aware than most, that weapons systems take a long time to develop, and you will not have them when they are urgently needed if you wait until then to start producing them. So the question is not really whether there is a threat now, but whether there might be one in the future. Common sense surely suggests that we should keep our defences in good repair until we are quite sure they will not be needed.

How can Western governments recall that common sense to the minds of their electors? Not, I suggest, by a desperate rush to "seize the initiative" from Mr Gorbachev with headline-catching propos-

als. Certainly not by talking as if the emergence of a more benign and civilised Soviet Union were somehow a disaster; nor yet by hinting that perestroika is just another communist conspiracy, designed to lull the West into a sense of false security. No one will now convince the Western public that the political and social ferment and economic chaos which the Soviet Union is now going through is all an elaborate smokescreen.

Nor is it a good idea to try to score points off Mr Gorbachev by pointing out what he has not yet done. Again and again he has left Western sceptics gasping in mid-sentence by doing the very thing they were snidely asserting he would not do. A subtler tactic, familiar to wartime propagandists, is to make positive predictions or suggestions about what he might do next, so that his actual performance is judged against a high standard.

It is perfectly fair and necessary, on the other hand, to keep on drawing attention to the existence and modernisation of the Soviet war machine. The public do need to be reminded of what the Soviet Union still could do in the way of a military attack, even if there is no immediate likelihood that it would want to; and they need also to be reminded that Mr Gorbachev's success, however devotedly he is wished, cannot be taken for granted. There is, after all, a very real possibility that economic chaos, combined with open challenges to the authority of the Communist Party or to the integrity of the Soviet Union itself (or perhaps to that of the Warsaw Pact), will lead to an authoritarian backlash. Mr Gorbachev, or more probably his successor, might then be obliged to take a strongly Russian nationalist and even xenophobic line, leading to a

rapid revival of East-West tensions.

But perhaps Nato's problem is that it has focused too exclusively on the Soviet threat, even though that threat is not mentioned in the Treaty, which commits its signatories to common defence against attack from any quarter. These days an attack on Europe from across the Mediterranean is much easier to imagine than one across the Iron Curtain. Of course one would hope to see such a threat deflected by a political strategy, but public opinion would surely see the merit of having military defences to fall back on. Maybe Nato should seek to assert its relevance in the North-South as well as the East-West context.

Finally, one reason for Mr Gorbachev's appeal to Western public opinion is that most ordinary people (a phrase that for this purpose includes ex-President Ronald Reagan) instinctively share his feeling that a nuclear-free world is a good long-term objective. Those who do not share it, notably the French and British governments, have good arguments to support their case: the historical record of wars un deterred by conventional weapons, because the balance



of forces is so easy to miscalculate; and the need to ensure that one rogue state, or even a group of individuals, cannot suddenly achieve a nuclear monopoly. But it is difficult to get round the fundamental inequity of an argument which asserts that some states must always have nuclear weapons while other states must never have them.

Perhaps Nato needs a long-term vision as well as a medium-term strategy, and that long-term vision could include placing a residual stock of nuclear weapons under international control, as proposed by the US in the Baruch Plan of 1946. At the time Stalin indignantly rejected that proposal, seeing it as a transparent ploy to preserve what was then an American nuclear monopoly. Mr Gorbachev today might give a different answer. Even if he did not, Western public opinion might then find the onus of the present nuclear deterrent easier to understand and to accept.

LETTERS

Contradiction at C4

From Mr Edmund Dell. Sir, I welcome the belated conversion of the Independent Broadcasting Authority to the proposition that Channel Four should sell its own advertising time. However, Raymond Snoddy reports (March 22) that the IBA is proposing that C4, while selling its own advertising time, should become a subsidiary of the IBA's successor body, the Independent Television Commission.

I find it difficult to believe that such a proposal can be seriously contemplated, even though it appeared tentatively as one option for the future of C4 in the broadcasting white paper.

TV-speak must think again

From Mr Chris Quinlan. Sir, The growing presence of cable and satellite television in the UK compels one to re-examine not only existing policies and practices, but even one's vocabulary. Thus the existence of *Premiere*, *Sky Movies* and (later) *BBS's The Movie Channel* require established broadcasters to think twice about the once familiar "bidding." For the first time on British television.

Meanwhile, the Financial

Cross-subsidy confusion

From Mr Alan Roper. Sir, Mr Boleat, director general of the Building Societies Association, asks (March 16) how the argument, that the loss of conveyancing would affect solicitors' ability to provide other services (particularly in small communities), can be reconciled with the argument that banks and building societies should not be allowed to subsidise conveyancing from other services. In raising this question, Mr Boleat is confusing the cross-

Telescope on Taurus

From Mr E.C. Grayson. Sir, As a member of the Stock Exchange's securities industries steering committee on Taurus (SISCOOT), which has been looking into proposals for the de-materialisation of shareholdings and share transfers, I would like to correct the impression that may have arisen as a result of Clive Wolman's article on Taurus (March 17).

The committee has not recommended a new Taurus system in place of the one with drawn by the Stock Exchange last year. Rather it is recommending that a particular proposal for Taurus be looked at in closer detail than has so far been possible. However, it raises issues for companies about their ability to identify

Asbestos and health

From Professor Charles Rossiter. Sir, "Health warning over asbestos substitutes" (March 22) considers the health risks associated with mineral wools - that is, insulating wool made from glass, rock and slag materials. Dr Olav Svane of Denmark is quoted as saying: "Our common sense and professional knowledge tell us that these new types of fibres are just as dangerous as asbestos because they have the same properties."

This is seriously misleading. The mineral wools have the same properties as asbestos in that they are fibres, but on the standard definition, so is a broomstick. Although there is some size overlap, the mineral wools are thicker fibres than asbestos, so making it less possible to inhale them. Even when they are inhaled, they break up in the lung, unlike asbestos, and they dissolve in lung fluids. Their survival in the lung is much shorter.

The important health concerns about asbestos are the development of mesothelioma and lung cancer following exposure to crocidolite "blue" asbestos or to amosite "brown" asbestos. There has been no suggestion in any of the studies of workers of any mesothelioma risk associated with exposure to mineral wools. It is currently accepted that there is a 25 per cent excess of lung cancer (as quoted in your article), but only among those who worked in the production industry more than 30 years ago, when production methods were very different and there were exposures to other agents. The International Agency for Research on Cancer states that there is insufficient evidence to show that mineral wools are carcinogenic to man. The 25 per cent excess amounts to less than one death per year in the European study of 22,000 workers you cite. It should be compared with the 1,000 per cent excess caused by cigarette smoking, and the 100-400 per cent excess caused by exposure to blue asbestos. Charles E. Rossiter, Unit of Occupational Health, London School of Hygiene and Tropical Medicine, Keppel Street, WC1

Most jobs will soon need more brain skills than muscle

From Mr Ron Leighton MP. Sir, Does the Youth Training Scheme do more harm than good? Despite some good schemes, it seems likely. YTS does little to redress the acute skills gap which exists in Britain - in some ways it perpetuates it. 50 per cent of participants are in trades like retailing, where there are no

shortages. YTS does not achieve the qualifications for the new technology jobs.

Furthermore, YTS encourages youngsters to leave school - by paying them to do so. We should pay an allowance to those who stay on. Every other industrialised country provides full-time education until at least 18. By the

end of the 1980s, 70 per cent to 80 per cent of UK jobs will be "knowledge-based," needing more brains than muscle. 35 per cent to 40 per cent will need brain skills of the order of a further education degree or similar qualification.

We shall never obtain this on present policies. Our young people should be in full-time

education until 18, either in a vocational stream modelled on the German "dual" system, or in further and higher education.

If not, we shall fall behind not just the US, Europe and Japan, but Korea and Taiwan as well. Ron Leighton, House of Commons, SW1

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FINANCIAL TIMES SURVEY



Perhaps it is just because up to half of those who fly no longer do so purely for pleasure that they

need (and usually can afford to pay for) better facilities. But are business travellers getting a fair deal, from airlines or airports? Michael Donne reports

The faces in the crowd

BUSINESS AIR travel, either with the scheduled airlines or privately through company-owned or leased aircraft, is now one of the fastest growing segments of international commercial aviation.

Although the substantial growth in the volume of low-fare charter air traffic over recent years captures the headlines, and is undeniably of considerable significance to all airlines, the business air traveller remains their primary target for a wide variety of reasons. The first is that he or she is prepared to pay more for the journey involved. The second is that the market itself is expanding, as economic growth in many countries - and especially those of South-East Asia - generates a class of business traveller possibly even more conscious of status than in the already air transport-saturated countries of the Western world.

As the gulf between the cheap-fare travellers and the business classes widens, the latter become ever more aware of their importance to the airlines, and more demanding in the quality of service they require. At the same time, the competition among the airlines for their custom itself is intensifying.

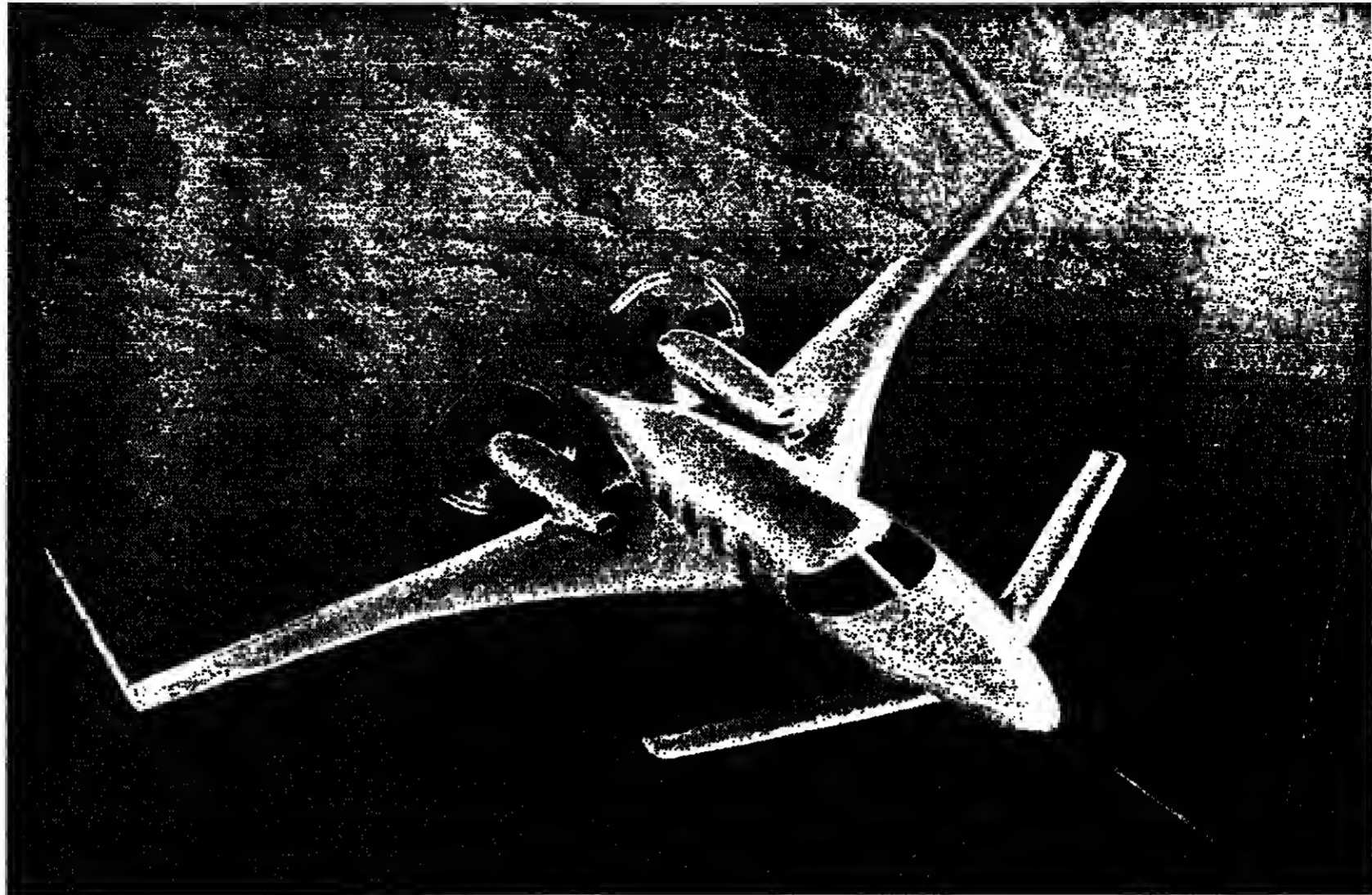
In the UK, the "battle of the business classes" between the

airlines is especially fierce. On short-haul domestic routes, the competition has escalated with the introduction of other airlines such as Air UK, British Midland and Dan-Air onto routes formerly flown by British Caledonian (now taken over by British Airways).

On the international routes, airline rivalry is even more intense, with Air Europe now building a major network of regional operations throughout the Continent, and with Dan-Air now the major UK airline serving France - with a range of destinations exceeding those of British Airways. Airlines like Britannia and British Island, which used to be mainly charter operators, have won new scheduled routes between the UK and various European destinations.

In many cases, these new services are being specifically aimed at the business traveller, with higher-quality service, and often accompanied by lower fares than those offered by BA, with the result that business travellers today probably have more choice than ever before - although whether those travellers are entirely happy with what they get for their money is debatable.

This degree of competition seems likely to grow in the



Business Aviation

run-up to 1992, the target date for a complete liberalisation of air services throughout the 12 countries of the European Community.

Whether that will be achieved within the comparatively short time left remains to be seen, but undoubtedly there will be considerable further progress towards liberalisation in that period. Moreover, what is not achieved by the end of 1992 will inevitably be accomplished in the few years immediately following.

On the long-haul routes, Virgin Atlantic Airways, founded by Mr Richard Branson, chairman of the Virgin Group, is now expanding rapidly, and is taking over the mantle, formerly held by British Caledonian, of rival to British Airways as Britain's No 2 long-haul international airline. Virgin already flies from

Gatwick to Newark (New York) and to Miami. On May 1 it starts flights to Tokyo, and in August to Kennedy, New York. Next year, it will fly to Los Angeles, Boston and Orlando, Florida, and has its sights also set on flights in the early 1990s to Hong Kong, Singapore and Australia (Sydney and Melbourne).

In all these operations, Virgin is making a major bid to attract business class passengers, conscious of the strong competition on all those routes from British Airways, which has in turn significantly improved the quality of its own first-class and business class operations, while on each route the foreign flag carriers involved will also be fighting harder for a share of the traffic.

The result can only be a better deal for the business travel-

ler, either through cheaper fares and higher quality in-flight and on-the-ground service, and probably both.

British Airways has recently begun a series of "customer forums," in which senior airline executives meet face-to-face with 150 or so of BA's top customers to find out what they want from the airline.

Sir Colin Marshall, the airline's chief executive, summarises the scheme: "We take enormous trouble to find out what our customers think for one simple reason - if we do not give them what they want, they will soon cease to be our customers." Other airlines could well follow that advice.

While the airlines will thus continue to cater for the vast majority of business air travel demand, a growing volume of traffic is also now being

handled by the business aircraft element of what is usually termed "general aviation" - the title given to all aircraft operations outside commercial airlines and military aviation.

In North America, and especially the US, the use of small aircraft, either turbo-propeller or jet-powered for corporate or individual business executive use, is widespread. It is recognised at all levels of industry as a useful tool of management, contributing significantly to the overall profitability of the organisations concerned.

Indeed, many of the companies in the US using their own aircraft are astonished at the inability of those in other countries to recognise the value of such a business tool, even accepting that in those countries different conditions

prevail - such as shorter distances between locations to be visited and a denser system of surface transport, and even a smaller number of available business airfields.

The problem in the UK and Western Europe is more a question of educating commerce and industry - as well as governments and regulatory authorities - into the benefits of business aviation. It is usually the case that, once companies on this side of the Atlantic are converted, they become just as enthusiastic as their US counterparts. However, as in the US, it takes a long time to make the regulatory authorities understand and appreciate the contribution to economic growth that business aviation can and does make.

The benefits are many - not just the significant savings in costs when compared with the

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First deliveries of the US eight-seat Beech all-composite twin-engine turbo-propeller Starship 1 business aircraft, in production at Wichita, Kansas, are due this spring to US customers. European buyers will have to wait until later in the year. Beech recently set the price for a fully-equipped electronic Starship at a mere \$3.85m (£2.25m)

substantial outlays most companies incur annually on scheduled business class air travel with overnight hotels and surface transport costs, such as taxis and private cars, but also the reduction in wear and tear on busy executives, and the increased convenience and operational flexibility of having one's own aircraft readily available.

The secrets of the successful use of business aircraft are discussed later in this survey, but they primarily lie in careful preliminary research to establish precisely what an individual company's requirements are, and either buying or leasing the most suitable aircraft for the tasks envisaged, either fixed-wing or rotary-winged (helicopters).

But it also has to be admitted that, in Western Europe as a whole, and especially in the UK, the governmental and regulatory climate is less favourable disposed to business aviation than in the US.

This largely stems from increasing congestion in the air arising from the growth in scheduled and charter operations by the commercial airlines themselves, and the tendency on the part of governments and airport organisations to give priority to those operations.

At a recent meeting in Montreal of the International Business Aviation Council (IBAC), representing the business aviation associations of the US, Canada, the UK, France, West Germany and Australia, concern was expressed that serious restrictions on business aircraft operations, as commercial airline operations increased, might well threaten the long-term contribution that business aviation makes to international trade.

IBAC pointed out that the

Continued on Page 6

The Swire Group 69

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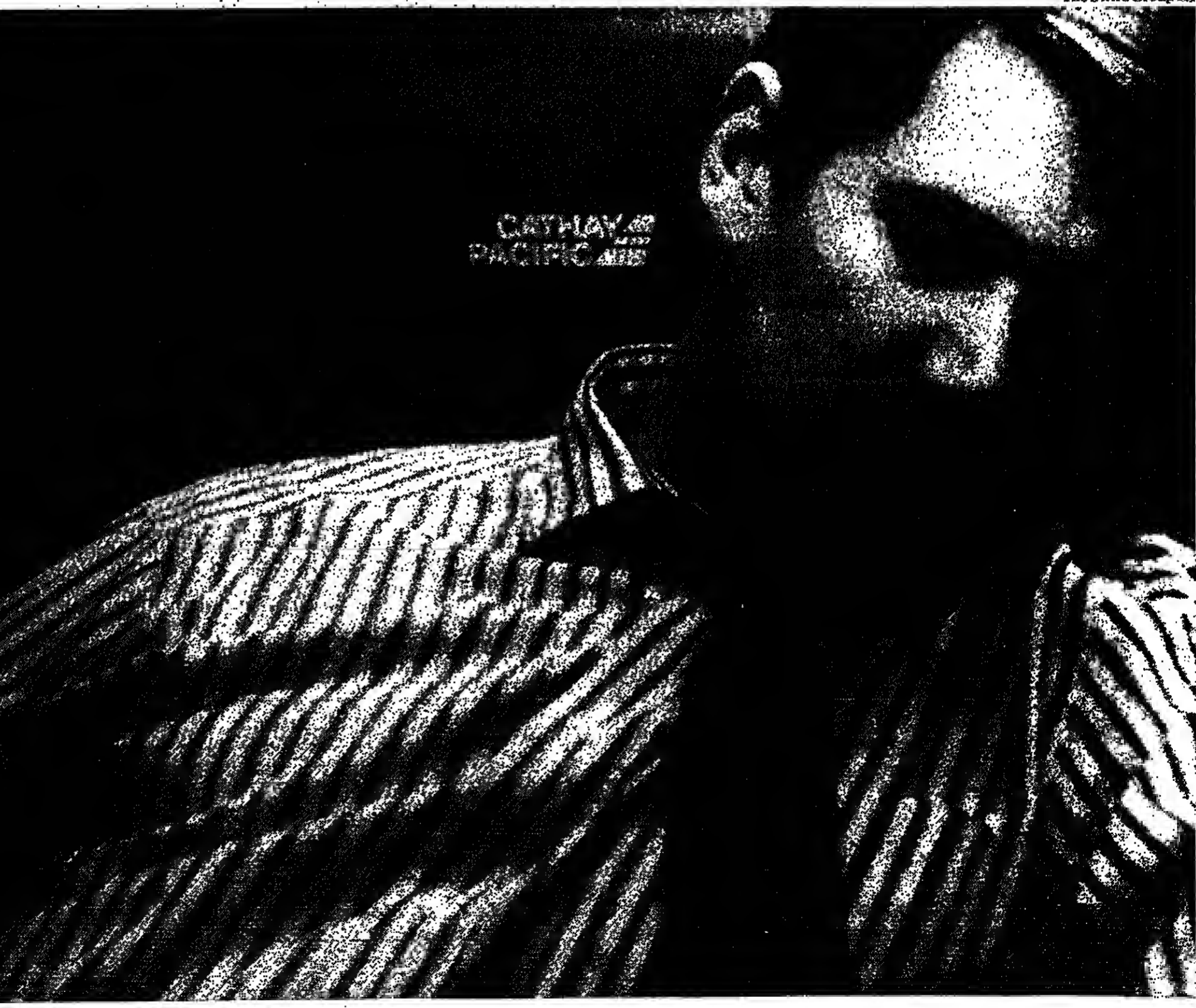
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BUSINESS AVIATION 2

Michael Donne, Aerospace Correspondent, looks at the effects of "the battle of the business classes"

Better value for money, and a bigger choice

AS AIR travel itself expands, with an expected doubling of the overall volume of world scheduled service traffic by the end of this century, so the volume of business travel is also growing.

Quantifying the proportion of all air passengers travelling solely for business reasons is difficult. Some travellers combine business with leisure purposes; some airlines have different definitions of what are business and leisure travellers, and many routes that for many years have been primarily business routes are also now becoming tourist routes in their own right, while even some hitherto predominantly holiday routes now carry a growing volume of business traffic.

In broad terms, however, about one-third to one-half of all air travel is now believed to be in some way business related.

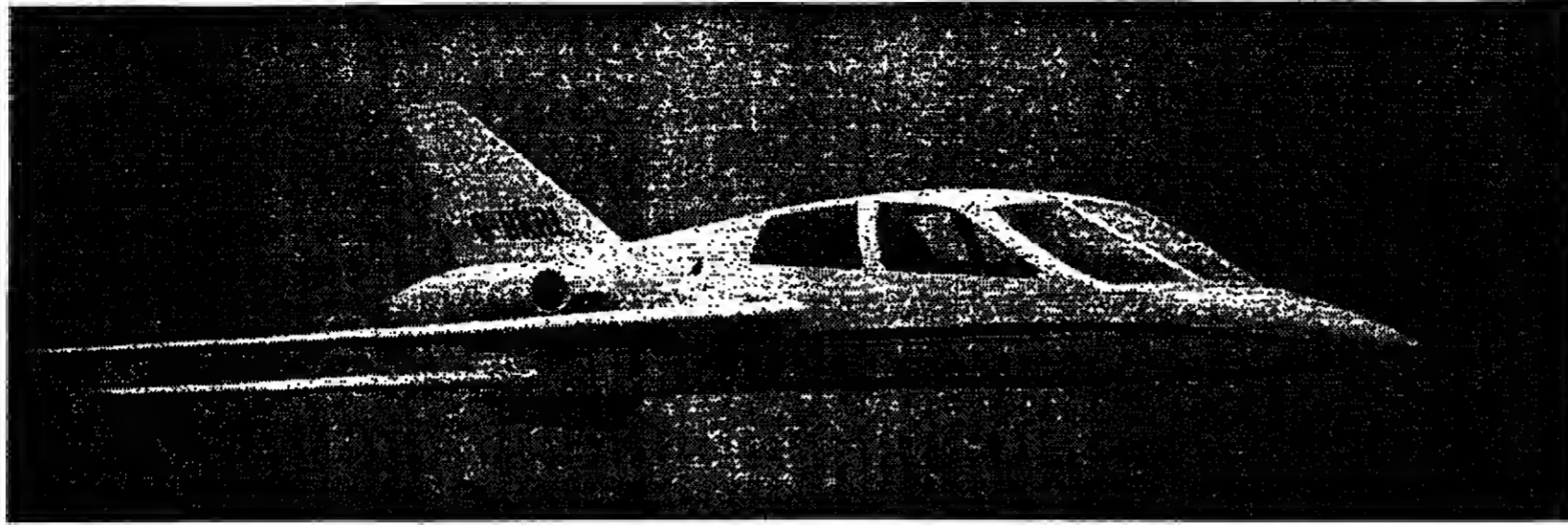
This is having a major impact upon airline revenues, for business travellers traditionally pay higher fares, but also demand a higher quality in-flight and even ground-based service.

As a result, the competition among the airlines for such traffic is fierce, and intensifying, for it is being counter-balanced in airline revenue terms by the pressures for ever-cheaper tourist and leisure fares, leaving the airlines little option but to woo the business traveller with every device possible in order to improve their overall revenue yields.

The ferocity of the "battle of the business classes" is well understood by a scrutiny of airline advertising in any glossy upmarket business or even general interest magazine, in any country and in any language.

And, to be fair, the airlines are responding to the demand, in that the benefits now offered to the higher-fare business travellers are undeniably substantial, and are increasing all the time.

Business travellers, in terms of overall value for money, are probably better served now than they have ever been, with a greater choice of services, especially since the growth of competition is increasingly



The CMC Leopard, developed by Designability of Milton Marsh, Wiltshire, under contract to Chichester-Miles Consultants of Ayot St Lawrence, Herts, made its maiden flight in December. The aim is to establish production of this new type of small twin-engine jet aircraft for world-wide marketing in the early 1990s.

putting more than just two flag carriers on any given route.

The improvements cover virtually every aspect of business travel, including not only airborne improvements with better qualities of seating and other comforts such as improved food and wine, and steadily improving standards of cabin service, but also significantly improved amenities on the ground, both "air-side" in the shape of lounges where passengers can wait for their flights withdrawn from the congested general passenger waiting areas, but also "ground-side", with speedier check-in facilities, valet services for car parking, and security and other assistance.

All of these developments are a welcome, and well patronised, and undoubtedly need to be increased, for the requirements are well understood, and virtually all scheduled airlines are anxious not to be left behind by the competition, as the passenger surveys conducted by the business travel magazines to find the "airline of the year" and so on, indicate.

But there is still much to be done, for the battle is one that is never likely to be won, and the battlefields are changing all the time.

Among the areas that still seem to need improvement is the provision of ground privileges at airports "down the line," that is away from the individual airlines' home bases. At some airports which have hitherto been largely tourist-dominated but which are now rapidly assuming significant business travel status (especially with charter airlines offering "seat-only" tickets for businessmen), the provision of ground amenities is beginning to loom large.

For example, at many Mediterranean airports - and Malaga is a case in point - the provision of ground facilities for businessmen is lamentable, and does not compare with the facilities accorded, at say, Heathrow or Gatwick, Amsterdam, Frankfurt or Paris.

But a more far-reaching problem appears to be arising. As air travel inexorably expands, and with it the overall volume of business travel, the question now is whether all airlines need to re-evaluate their fundamental concepts of handling the business traveller, going well beyond the customary improvements in quality of seating and other in-flight comforts such as better food, wine and cabin service, vital though all of those

greater seating comfort, collectively pale in comparison with the fundamental desire for peace and quiet during flights.

For most business travellers, the hours spent in flying are an oasis of enforced seclusion in an otherwise turbulent business life, to be appreciated as an opportunity to catch up with rest, relaxation, technical reading or other paper work.

For this reason alone, many regular business travellers seem to be lukewarm about in-flight telephones (although some of course both want or will welcome them) or even in-flight entertainment. Still less do they want families with restless or noisy children included in the business class

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cabin, no matter how much they may love such creatures in their private, non-flying lives.

This gives the airlines a special problem, which is escalating, whether many realise it or not. That is: how to differentiate between the true business traveller flying in "business class" (whatever its marketing title may be), and purely leisure travellers who may be able to afford the higher fares for themselves and their families, but thus wreck the whole objective and ambience of a business class cabin.

For a businessman, especially long haul, who has paid the higher fare, it is frustrating to have to spend his entire flight trapped next to a family which lacks the social discipline to maintain the peace and quiet that the business traveller requires. Or, to have to stop working when those round him want to shut the blinds and watch a film; or, to have to suffer the show-off workaholic who wants to conduct myriad telephone conversations from his seat at \$9.50 a minute in order to prove either how important he is (or how inefficient, depending upon how one looks at the matter).

The result is, and will continue to be only too often, a spoiled flight, a disgruntled business traveller, and a client lost to that particular airline.

Many business travellers, even in first class, report increasingly that such situations either are occurring, or with in-flight phones are likely to occur, and that there is now no guarantee that by paying the increased fare, one can buy one's way out of squalling babies or other forms of social disquiet on aircraft.

All airlines must find some way of redressing these problems, which threaten to become increasingly prevalent.

Some solutions are evident. Instead of permitting in-flight telephone conversations from portable handsets usable in one's seat, a separate cubicle should be provided for their use on the aircraft. The most intelligent and civilised way of handling in-flight entertainment is to provide built-in small TV screens in the seat-back, designed for clear viewing even in daylight if one's next door neighbour wants the

blind up to look out of the window, and with far more efficient earphones than are available on most aircraft today.

The obtrusive and socially ill-disciplined family is more difficult to handle. One way might possibly be to resort to a special "family class" aboard aircraft, in which families as a whole are concentrated, leaving the first and business classes to those travellers who are most likely to either need, or appreciate, them or both.

Airlines must accept that these are among the most immediate problems of the growing volume of business air travel, and not just the complaints of a few such passengers.

Another problem, which is also increasing, especially on short-haul flights in Western Europe, is the habit of abandoning the advertised concepts of business class travel when traffic builds up to unexpected levels.

Many businessmen, if they can, now tend to avoid the "Monday morning, Friday evening" syndrome, because they know only too well that the normal business class requirements of better quality seating and service are abandoned by many airlines in favour of packing the higher-fare travellers in. The vacant middle seat on either side of the aisle gives way to the need to make money, with every possible passenger stuffed in, resulting in conditions that are little better than those in the much cheaper economy class at the rear of the aircraft. Even the much vaunted meal has to be eaten in a cramped, and almost impossible posture.

What is actually happening with business air travel is that, as in so many other walks of life, price is no longer the criterion of that exclusiveness that the original concept of either first-class or business class was intended to provide. It is not a mere matter of revamping existing levels of comfort for business travellers. Because of changing social trends, the entire concept needs to be reviewed and readjusted accordingly. The airline, especially long-haul, that is the first to do this is likely to be the one that wins a massive increase in world-wide business.

How the airlines are adapting their services to meet the requirements of the executive

More space, larger plates, free tickets

BRITISH AIRWAYS' relaunch at the beginning of this month of its First Class international service was a clear tribute to the success of the Club World business class which it introduced a year ago.

So popular has the Club World service been over the past year - seat bookings have been up by more than a fifth - that it found that some business travellers were forsaking the traditional comforts of first class for the improved business class service. At roughly half the price of a first class ticket, it was worth trading down to Club World.

Now, however, BA has decided to upgrade its first class offering in a variety of ways. Although the seats have not been increased in size (they are 29 inches wide and have a 62 inch pitch) the tables have been redesigned to swivel away from the passenger even when laid for a meal.

The philosophy behind the relaunch was to give the senior business executive greater control of his environment.

"Today's first class passenger expects to be in control, to be given choice, and above all to be given the

very best standard of service," says Sir Colin Marshall, BA's chief executive.

Thus the food has not only been upgraded in style (larger plates, for example) but passengers can also choose when they want to eat. Executives will no longer have to eat in first class at times not suited to their internal body-clocks.

On some routes BA has also introduced an experimental video system built into the arm of the seat which enables passengers to choose their own video films to watch at their own time.

The main benefit of the Club

World class which came into service last year was significantly increased leg-room and seat reclines, as well as a fixed cabin space clearly to divide higher fare-paying executives from the economy class.

Where BA has been less

successful, however, is on its short-haul Club Europe service which many frequent business travellers find does not offer the same degree of comfort or service as Club World. This was one of the main criticisms made at a seminar of 150 of BA's most frequent business travellers earlier this month, when the customers had a chance to confront senior BA management with their views on the business class services.

BA's success with Club World, however, is challenged on the profitable North Atlantic route by Mr Richard Branson's Virgin Atlantic airline.

Although Virgin flies less frequently and for fewer routes than BA, it has still gained a high reputation among business travellers for its Upper Class business service. Readers of Business Traveller magazine, for example, have voted it their favourite long-haul business class service.

Part of this success is due to Virgin's use of first class seats in its business class (it does not have a first class as

such) as well as the unalloyed enthusiasm of staff which is a hallmark of Mr Branson's empire.

Even so, Virgin is still keen to woo more higher paying business class travellers. For example, it gives Upper Class travellers a free return Pacific or Singapore Airlines which offer unrivalled business class services. Cathay Pacific, for example, was the first airline in Asia to introduce a dedicated business class section back in 1961. Recently, it has relaunched its popular Marco Polo business class, adding some 12 per cent more space per business passenger.

David Churchill
Leisure Industries Correspondent



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BUSINESS AVIATION 3

Lynton McLain investigates an area of growing executive demand

The air taxis are starting to pick up more fares

COMPANIES and individual business travellers have... The possibility of hiring an aircraft has become especially attractive where business travellers find that airline timetables are inconvenient...



Ready to take off - a 285 mph 13-passenger King Air 200 taxi (left) from Northern Executive Aviation's fleet at Manchester Airport, while the 500 mph eight-passenger Learjet 35A, with a 2,000-mile range, flies up to 45,000 ft

The routine flight requirements of business travellers are still, of course, served by regular scheduled airlines. In North America, the hiring of business aircraft for the personal use of senior company executives is common practice...

The CAA report 'look a very narrow look at the role of business aviation. It is a management tool, not a luxury'

needs. One such company is Air London, a specialised air charter company, which acts as an air charter broker. This company has a computer-based leasing room where the staff of air charter brokers are able to arrange the hire of any type of aircraft anywhere in the world.

The company uses a technique known as systematic aircraft location. This has been introduced as part of Air London's current £1m expansion programme, which the company claims could make it the largest air charter broker of its type in Europe.

Air London has in its computer files every aircraft in the current world fleet of all airlines and all aircraft operators, including the Soviet Aeroflot fleet. This amounts to more than 34,000 aircraft. The company is able to quote prices for aircraft hire which include all insurance and a fully stocked bar and a stewardess service when this is appropriate.

The company offers advice and help on the choice of aircraft most suitable for the purpose and would suggest, for example, combining a Concorde flight for a transatlantic mission, with an executive jet, if that was the most efficient way to travel.

The capacity of the main London airports to handle aircraft, of whatever size, was one of the central issues in the recent report of the Civil Aviation Authority on the distribution of air traffic in the London area. The Air Transport Operators Association, which represents air taxi and air charter operators in the UK, says congestion is the big problem.

The Air Transport Operators Association, which includes most major British air taxi companies and a number of scheduled service operators, says its members have 'a big battle to keep access to airports faced with increasing congestion.'

The association represents a total fleet of approximately 300 multi-engine jet, turbo-prop and piston aircraft for business use, as well as helicopters flown by 50 air taxi and related companies. These craft carry about half a million passengers a year.

Air Commodore Mike Rayson, the chief executive of the association, argues that the CAA, in its report on air traffic distribution problems, CAP 548, took a 'very narrow look at the role of business aviation in civil aviation as a whole.'

The most up-to-date statistics the CAA used on business aviation for its report were figures for 1982, a period of low growth for business aviation, he says.

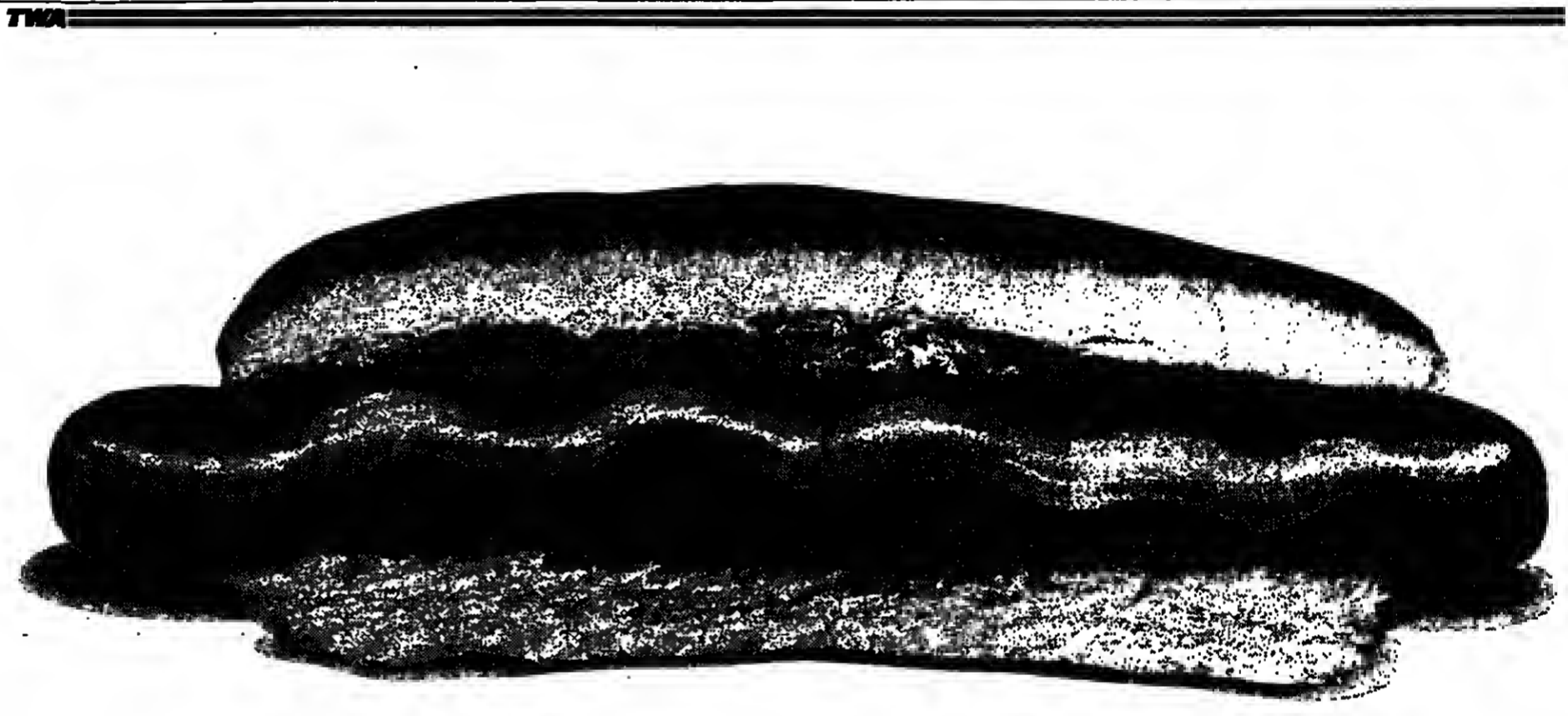
'There really is a lack of appreciation of what business aviation is for. It is a management tool, not a luxury. Business aircraft provide additional privacy and freedom from air-

The company has in its computer files every aircraft in the world fleet of all airlines, including the Soviet Aeroflot

line timetables as well as properly enhanced security for business executives.

'Our view is that the contribution of this sector of aviation to industry and commerce helps the health of the economy, yet there is apparently no appreciation of these points by the CAA.'

The association is concerned about traffic distribution rules. Business aircraft are not expressly banned from Heathrow and Gatwick airports, but because they cannot get landing slots they are virtually kept away by airport congestion.



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BUSINESS AVIATION 4

Aviation writer and pilot Andrew Healey puts the case for using ...

The helicopter: it's time-saving and cost-effective

THE NUMBER of helicopters using the skies is growing year by year. There are now over 700 registered in the UK, of which only about a quarter are involved in the North Sea oil industry. The rest are scattered all over the country, although the highest concentration is based in the south of England, especially around London. Most of them are used for business.

Although the helicopter is increasing in popularity, it is still dismissed as a "rich man's toy" by many potential users. Such criticism is unjustified, its supporters argue, because a helicopter can improve your business at least as much as it can boost your social life, and therefore it deserves to be taken seriously as a business tool.

Its clear advantage lies in dramatically reducing travelling time, by providing point-to-point communications at speeds approaching 200 mph. The UK is particularly well suited to helicopters because of its relatively small but crowded land mass, and regulations covering their movement from private sites are at present quite relaxed.

A helicopter can land or take off from a lawn or company car park as long as the area is safe and the landowner's permission is sought. It can fly over traffic jams and urban bottle-necks, at double the motorway speed limit, direct to its destination at another landing site. It can also land at airports without having to wait for a runway. With a helicopter, users reckon, businessmen or



Britain's most popular self-drive helicopter, the Robinson R22 (left) and the Aerospatiale Dauphin, favoured by Trafalgar House

conurbations becomes more and more congested, an increasing number of people are taking the plunge and learning to fly themselves.

Top of the self-drive charts at present is the Robinson R22, a lightweight, two-seater piston engine machine which has become the second most popular helicopter in the country (next to the Bell JetRanger) since its introduction in 1986.

The Robinson has brought rotary winged flying to a new breed of business commuter, and schools are springing up all over the country to meet the demand for pilot training. A new Robinson costs £30,000 and used piston machines start at around £20,000.

However, charter is still the most popular way of using

helicopters in their full business potential. You can order a helicopter, complete with pilot, in the same way as you book a mini-cab; all you need to know is how many people, when and where. The "where"

is in the part that concerns many first-timers - how much space does a helicopter need anyway?

About two tennis courts will do, say the industry's trade association, the British Helicopter Advisory Board. If you have a suitable area available, with clear approaches and without obstructions such as lamp standards or power lines, you can establish a "temporary use" helipad with very

little fuss. If you intend to use it more regularly a white "H" and a windsock will help, and consulting any neighbours is only considerate. Apart from telling the police - you don't need their permission - there

isn't much else involved. Whether to use a single or twin engine machine often comes down to price: twins generally cost at least double the price of singles. For the money, you get extra speed, carrying capacity and flexibility (twins may fly above bad weather as long as the pilot is qualified) and extra safety.

The majority of dedicated corporate helicopters these days are twins, and many charter operators have both available on their fleets.

London's only heliport at present is at Battersea, to the south-west of town. There are moves to apply for planning permission to build a second heliport to serve the City of London itself, which will eliminate a problem currently faced by helicopter users in the capital. They can fly from the M25 into Battersea in 10 minutes, but must then join the undignified rush into the city with everybody else.

Squirrel helicopter flies to Battersea from Norwich in 50 minutes. Mr George Williams, the chairman, counts on the helicopter to help him keep in touch with regional bases, and reckons it has been instrumental in the group's success in recent years. "It has made a big difference," he says. "The helicopter saves us the most valuable commodity of all - time."

As for Anglian Windows, its Squirrel helicopter flies to Battersea from Norwich in 50 minutes. Mr George Williams, the chairman, counts on the helicopter to help him keep in touch with regional bases, and reckons it has been instrumental in the group's success in recent years. "It has made a big difference," he says. "The helicopter saves us the most valuable commodity of all - time."

Some of them, JCB for example, also quite unashamedly use them as sales tools and flying billboards. JCB runs three helicopters and two full-time pilots, in addition to a fixed-wing fleet. One of its twin-engine Agusta 109s can fly up to six passengers from its Staffordshire base to Battersea in about an hour.

Trafalgar House operates an Aerospatiale Dauphin, which regularly makes a flight using airways from Battersea to Scott Lithgow Shipyard in Glasgow, point-to-point, in 2 1/2 hours.

As far as Anglian Windows, its Squirrel helicopter flies to Battersea from Norwich in 50 minutes. Mr George Williams, the chairman, counts on the helicopter to help him keep in touch with regional bases, and reckons it has been instrumental in the group's success in recent years. "It has made a big difference," he says. "The helicopter saves us the most valuable commodity of all - time."

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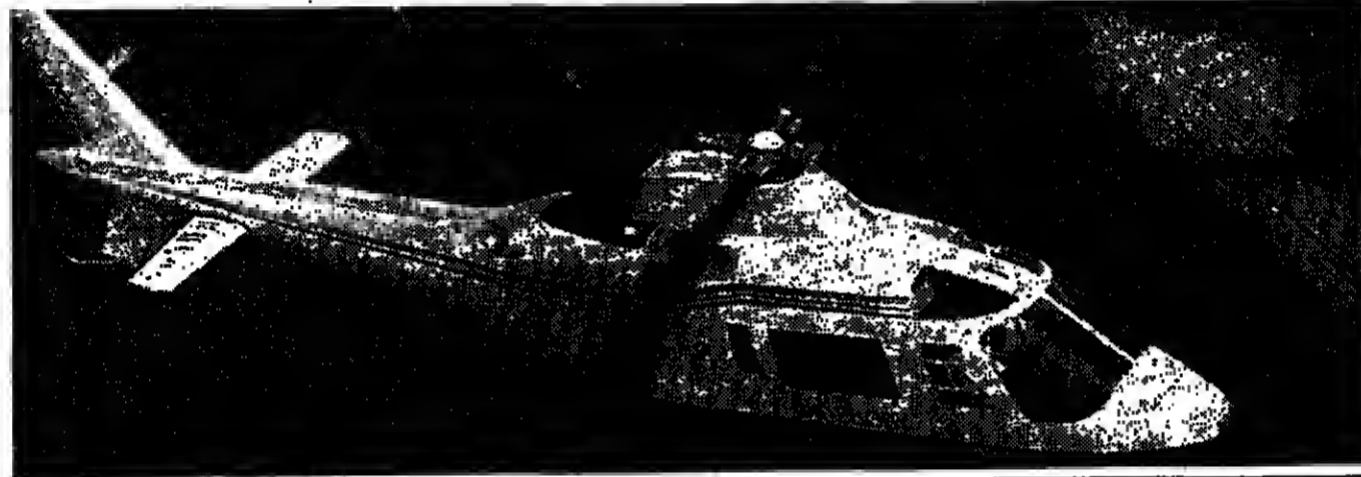
● The British Helicopter Advisory Board (BHAB) can advise on pilot training, choosing a helicopter, siting a landing pad and rotary winged matters in general. Telephone: Chobham (09905) 6100.

It can fly over traffic jams and bottle-necks at double the motorway speed limit

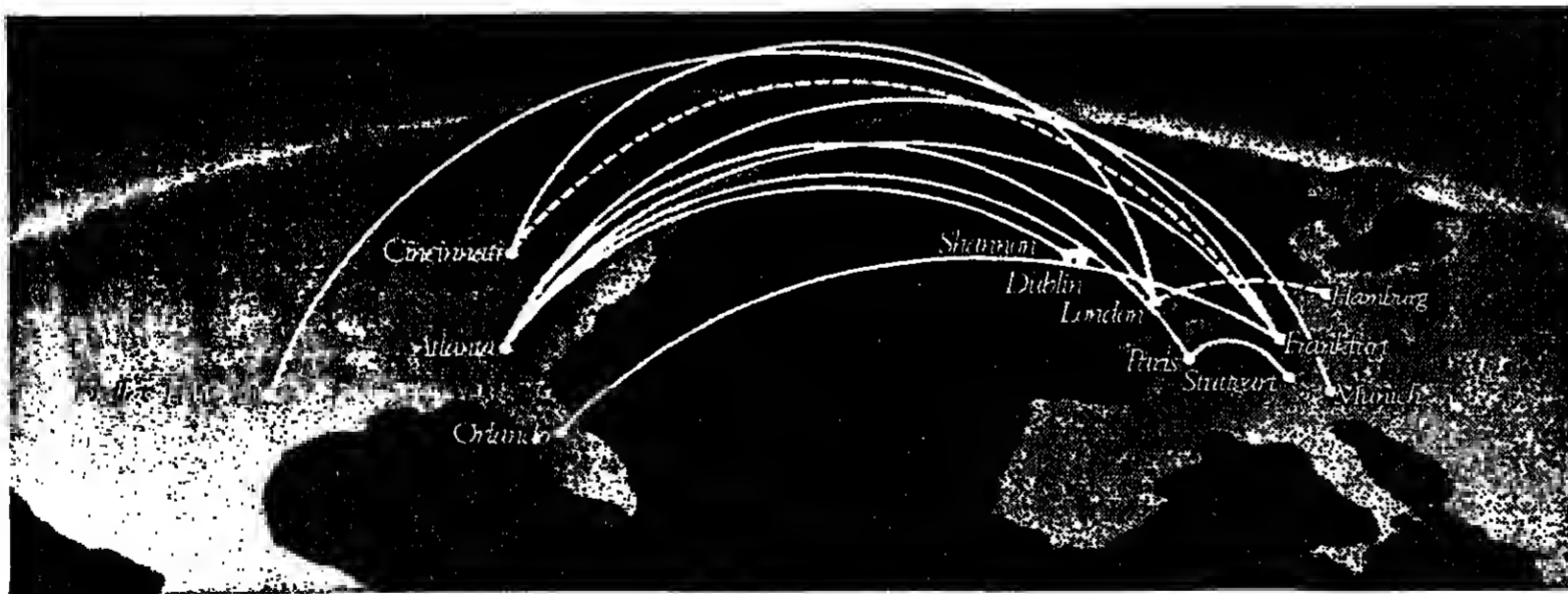
women can fit a week of country-wide meetings into two days.

There used to be just two choices faced by people looking for a helicopter: whether to use a single or twin engine machine. Whatever type one chose, the pilot usually came along with the deal. Now there is a third, the self-drive helicopter. As surface transport in major

The Agusta 109 helicopter, which can fly up to six passengers in comfort



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BUSINESS AVIATION 5

Michael Donne, Aerospace Correspondent, enthuses over the advantages of corporate aircraft

Take top-level decisions in a flying boardroom

THE CONCERNS currently being expressed about the difficulties facing business aircraft, and indeed general aviation as a whole, as a result of increasing air traffic congestion, should not be allowed to deter companies anxious to exploit aviation as a new tool of management.

In the UK, many companies already do so, and more are joining the list every year. They have already discovered, or they are beginning to discover, the benefits of owning a corporate aircraft, available whenever required to facilitate the conduct of the company's business. They have learnt that business aircraft are vital assets, as essential to their profitability as machine tools or office computers.

The benefits include not only a considerable saving on the overall annual outlays on scheduled air fares and associated costs such as hotel bills, but also, and probably more significantly, a much greater degree of flexibility in conducting business, and a major saving in the wear and tear on busy executives.

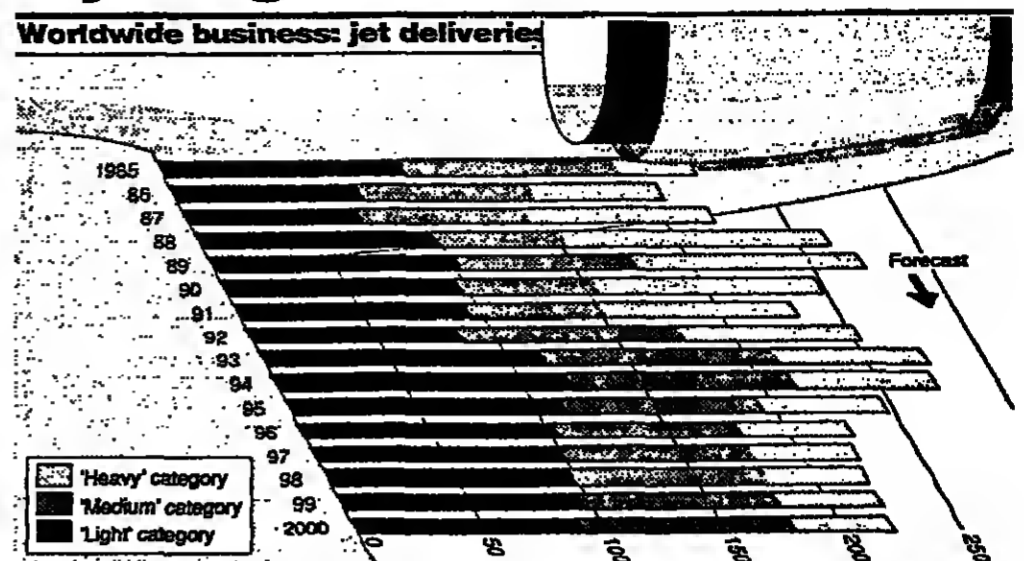
Corporate aircraft can go to many places where the scheduled airlines cannot, enabling complicated multi-stop day-trips that scheduled flights cannot possibly match. There are many airfields throughout the UK and Western Europe that are available to corporate aircraft, bringing executives closer to their ultimate destinations, and offering them far better travel times than any scheduled airline can provide.

If a helicopter is used, the degree of flexibility is considerably further enhanced, by virtue of the ability of rotary-winged aircraft to land almost anywhere - factory car parks, playing fields and even on the roofs of buildings.

It is worth considering also that a company aircraft provides a far greater degree of privacy and security than any scheduled airline can offer, giving top executives the opportunity to discuss business affairs in confidence and safety.

Indeed, some business aircraft are used as "flying boardrooms", and many top-level business decisions are taken en route in the company's own private aircraft.

What deters many compa-



The opportunity to discuss confidential affairs in privacy

hours are flown each year. The variable or direct costs cover the actual running of the aircraft per hour, including fuel, provision for engine, propeller and component overhauls, maintenance, spares, landing fees and air traffic control charges.

Detailed costings in both areas can be prepared by either manufacturers or dealers, so as to enable companies to decide how they match their existing executives' travel costs. At the same time, however, there is always that infinitely variable benefit of greater flexibility of movement, and saving in wear and tear on senior executives, to take into account.

On balance, it is fair to say that where a company has been careful in its analyses of costs, and has moved into corporate aviation, it is generally satisfied. Indeed, most quickly discover that they cannot do without their own aircraft, either buying more than one or moving up to bigger types.

An option which might be worth exploring is leasing rather than buying, while it is also possible to arrange for the aircraft to be used by other companies when it is not itself to be needed by the primary owner, thereby helping to defray the costs.

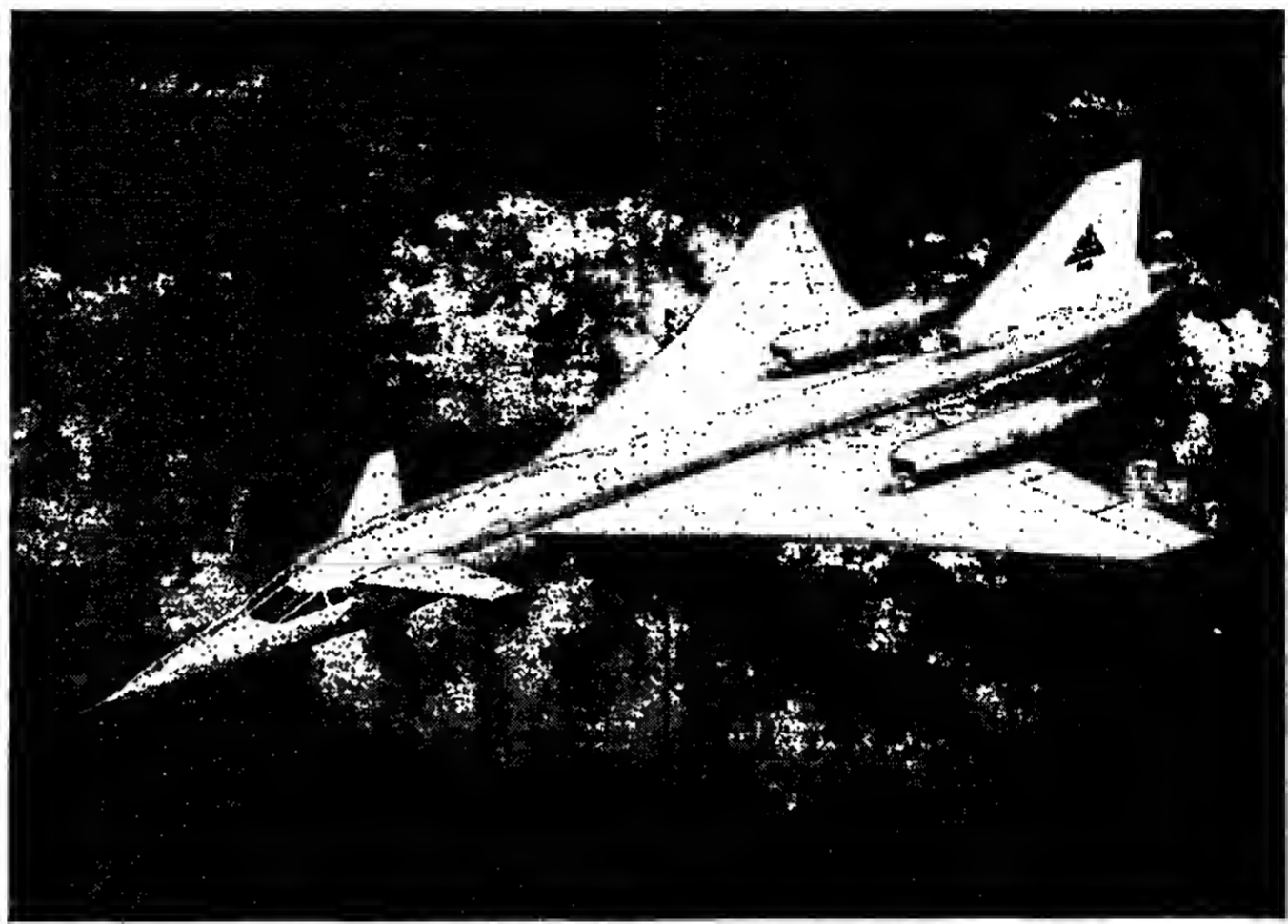
But the best tip to any company interested in corporate aviation is to seek good advice from the start. Apart from Gama itself, the Business Aircraft Users' Association and the Air Transport Operators' Association are all ready and willing to help would-be corporate aircraft users.

Many hundreds of British businessmen find that even flying themselves around is a relaxing change from the cares of everyday business life. It is not difficult to learn to fly, for there are more than 150 flying clubs and schools throughout the UK offering courses for the Private Pilot's Licence (PPL).

The minimum requirement laid down by the Civil Aviation Authority is a course of 40 hours' duration conducted by an approved syllabus by licensed flying instructors. How long the course takes depends on a number of factors, particularly how frequently the pupil is able to take lessons, and his ability to learn, as well as local weather conditions.

The cost of flying instruction varies from school to school, and to different parts of the country. But a typical course of some 40 hours could cost close to £3,000 for fixed-wing pilots, and perhaps upwards of £5,000 for helicopters.

The growing volume of demand for corporate aircraft world-wide is indicated by the fact that over recent years, average annual deliveries of



(Left) An artist's impression of a future supersonic jet, as forecast by British Aerospace. Such a development would be able to carry 12 passengers at a speed of Mach 1.85 over distances of up to 3,800 nautical miles

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A world fleet of thousands of business jets by the year 2000

business jet aircraft alone have been running at between 200 and 250 aircraft. This figure is forecast to rise a little, to be closer to the 250 aircraft a year mark in the period to the end of the century.

This indicates the likelihood of a world fleet of several thousand business jets by the year 2000, for very few such aircraft are withdrawn from service, and those put up for sale on the second-hand market by companies moving up to larger types are quickly snapped up. The market for turbo-propeller business aircraft is likely to be even bigger, for such aircraft are cheaper to buy.

In both jet and turbo-propeller airliners, and in helicopters, the variety of types available is exceptionally wide. The major jet manufacturers include Beech, Cessna, Gates Learjet and Gulfstream Aerospace in the US, and British Aerospace in the UK, Dassault in France and Canadair in Canada. Between them they have a range of types to suit all company requirements. Beech in particular is also a major

manufacturer of turbo-propeller cabin business aircraft, especially its new twin-engine Starship.

British Aerospace has been building the Type 125 medium-cabin business jet since the early 1980s, and to date over 730 have been sold to 40 countries, in a variety of continuously updated models. Of these some 430 have gone to the North American market, still the world's dominant business jet arena. Overseas earnings of BAe's 125 jet sales, at today's prices, are worth over £1.5bn.

For the very largest corporations, or governments with substantial requirements for moving top executives or VIPs around, larger aircraft are also available, primarily adaptations of jet airliner models already in production. These include the Airbus A-320 twin-engine jet, the British Aerospace Type 146 four-engine regional jet, and the twin-engine Dutch Fokker 100, Boeing 787 and McDonnell Douglas MD-80 series.

For the longer-term future, the possibility of a supersonic business aircraft is looming. Although the market for such an aircraft might be small, it is nevertheless believed to exist, and during the 1990s may well develop to the point where one or more manufacturers may be encouraged to get together to build such an aircraft.

British Aerospace (whose predecessor, British Aircraft Corporation, was one of the partners in developing the Anglo-French Concorde supersonic airliner) maintains a small team working on supersonic transport studies for the future.

In addition to studying a possible second-generation 289-seat supersonic airliner, which might prove an eventual replacement for the Concorde itself, this team has also produced design studies for a small 12-seater supersonic business jet aircraft that would be

capable of transatlantic ranges. As yet, there is still a long way to go before such an aircraft could be built, its development would probably have to be an international collaborative venture so as to share the costs. Also, as yet, the quiet, fuel-efficient engine for such an aircraft has yet to be developed.

But BAe believes such a venture could be feasible in the late 1990s and into the early years of the next century, which is as good an indication as any of its own long-term confidence in the future

□ Air Transport Operators' Association, Clembro House, Weydown Road, Haslemere, Surrey, Business Aircraft Users' Association, PO Box 29, Wainford, Oxfordshire; General Aviation Manufacturers' and Traders' Association, 26 High Street, Brill, Aylesbury.

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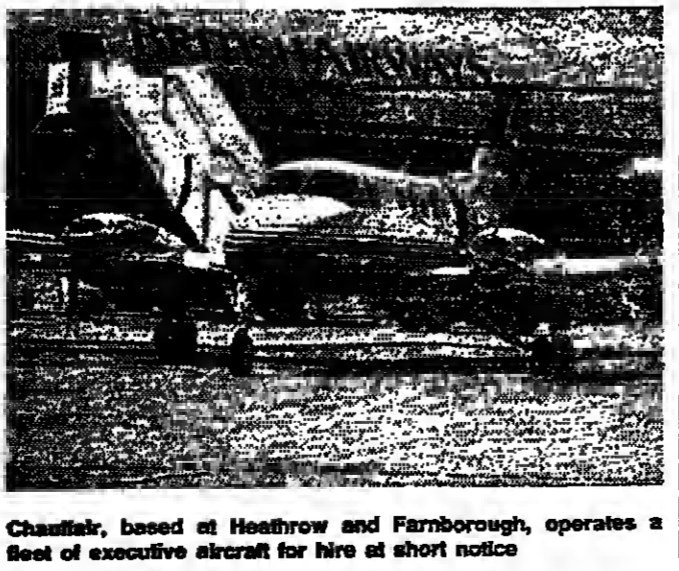
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BUSINESS AVIATION 6

Access to UK airports

Last on the runway

WITH WORLD airline traffic growing at up to 10 per cent a year, there is increasingly fierce competition for runway capacity at the big international airports, and particularly the two main facilities serving London, Heathrow and Gatwick. Business aircraft looks like being the losers in this battle.

The future battle lines were laid down in a Civil Aviation Authority discussion document (CAP 548), published last month, on airport capacity to 2005, a paragraph in which, of vital concern to the general aviation (non-airline) sector, said:

"It (the authority) has given the most careful consideration to representations made to it by business aviation representatives, and fully understands their concerns and the likely effect on their business of increasing constraint. Nevertheless, it cannot believe that the interests of the civil aviation industry as a whole would be served by giving equality of access to small, lightly-loaded aircraft."

Even though in the past 12 months there were 18,400 general aviation movements (take-offs and landings) at Heathrow, and 7,900 at Gatwick, business aircraft operators have felt the squeeze at these airports for several years now. A close reading of CAP 548 shows the CAA in favour of similar restrictions being applied to business aircraft wishing to join airways, the radar-controlled highways in the sky along which airlines fly and which, like the airports, are suffering congestion.

The organisations which represent business aircraft operators are gearing up to resist this trend, making the point that if small jets are unable to use Heathrow and Gatwick at peak times they, and the companies which own them, will take their custom to competitor airports on the near-continent. The Business Aircraft Users' Association says that the 50 companies which it has as members generate 700,000 jobs, and earn £20bn a year.

Such pleas appear unlikely to impress either the CAA or the BAA companies which run Heathrow and Gatwick in the longer term. Big remains beautiful in the efficient utilisation of runway concrete,

and unless there is a major shift in policy - which appears unlikely - executive aircraft will be pushed progressively further out to the ring of airports surrounding the capital.

The operators of these airports are well aware of the trend, and have been investing considerable sums to improve facilities in the hope of attracting a share of the overspill of traffic from Gatwick and Heathrow.

They also have an eye on the upsurge in business aircraft travel which is anticipated when the European trade frontiers go down at the end of 1992. There are a dozen or more from which to choose, the Government having set its face some years ago against any plan for one large business airport to serve the capital, such as exists at Le Bourget, to the north of Paris.

BAA offers three alternatives to Heathrow and Gatwick, at Stansted, with its under-utilised, international-standard runway, and where there is the promise that the present passenger terminal will be turned over to business users when the big new terminal opens in the early 1990s, at Biggin Hill, the old fighter base, and at Southend. The latter two airports are managed by Airports UK, a subsidiary of British Airports Services, which is in turn a subsidiary of the privatised British Airports Authority.

The development plan for Biggin Hill includes a new lounge for executive passengers, better signposting to the airport, and installation of an instrument landing system to enable it to be used in poor weather. Airports UK forecasts that there will be 3,000 executive jet movements there by 1992, compared with 1,000 in 1987.

To the north and north-west of the capital there is a considerable choice of places ready to accept business flights, including the busy charter airport at Luton, the British Aerospace airfield at Hatfield, Leavesden, and the RAF base at Northolt, although movements at the latter are severely restricted both in numbers, and in time of day.

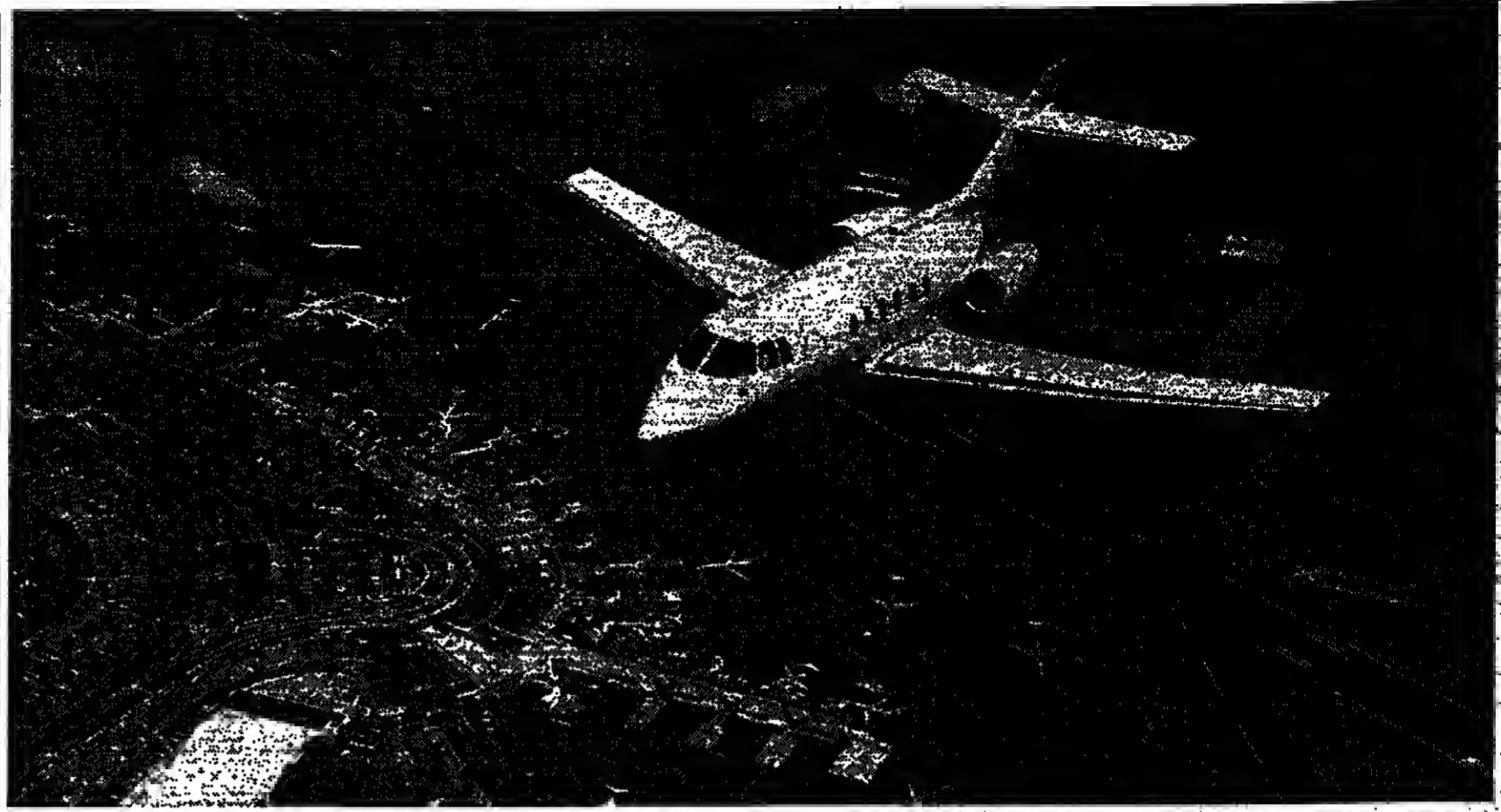
The majority of business people in the South-East who regularly use business aircraft live in the southern/south-western segment of the London zone, an area which includes among its business airports Blackbushe, Fairoaks and the Farnborough Business Aviation Centre, which opened this January. The centre is part of a 50-acre enclave within the Royal Aerospace Establishment, and will have as its neighbour a business park, the whole being developed at an overall cost of £120m over seven years by the Farnborough Aerospace Development Corporation.

Beyond this inner ring of airports around London, all within 40 miles of the centre, there are others whose operators hope to pick up business from the overflow. Lydd and Manston, in Kent, are cases in point, and they are both well-sited to capture businessmen commuting from the Continent through the Channel Tunnel, and who will want to fly on to various points in Britain.

Though the South-East is the busiest part of the business airport scene, executive aviation does not begin and end in London. Manchester and Birmingham airports are thriving centres, and business jets are familiar sights at such provincial airports as Plymouth and Cardiff, Bristol and East Midlands, Teesside and Newcastle, Liverpool and Leeds/Bradford, Humberside and Edinburgh, Glasgow and Aberdeen.

And as the business aviation "honeypot" of the south-east becomes more and more overcrowded, and as environmental pressures within that geographical segment become more intense, it is possible to see, by the year 2000, flying businessmen taking an executive helicopter from a field in the greater London area to one of the provincial airports mentioned above, where they will connect with their business jet bound for deregulated European airports such as Frankfurt, Copenhagen, Madrid or Rome, or to points even further afield in the US or the Middle East.

Arthur Reed



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The faces in the crowd

Continued from Page 1
problem is an international one - there is hardly a commercially-developed country in the world where business aviation's access to airports and airspace is not in some way under threat, as a direct result of the increasing preference being given to commercial airline operations.

The European Commission, for example, has already recommended that public transport aircraft should take priority not only at airports, but also in controlled airspace, and there are fears that such restrictions on business aviation will become worse as increased liberalisation in the Common Market after 1992 intensifies the volume of commercial airline activities.

This concern is in no way lessened in the UK, where the problem is regarded as increasingly serious, by denials from the British Airports Authority (BAA), which owns Heathrow and Gatwick, the nation's two largest international airports,

that it has any intention of banning business and general aviation flights from those airports, as some aircraft owners believe to be the long-term aim.

The BAA says that for many years business and general aviation operators have been required to obtain prior permission before using either airport, but argues that, even so, over the 12 months to end-February, 18,466 general aviation movements took place at Heathrow and 7,936 at Gatwick. "While our major airports are very busy at peak times", says Mr Mike King, managing director of BAA's Airports Division, "we have no intention of banning general aviation flights."

Nevertheless, the concern remains. Operators of business aircraft at Heathrow, for example, argue that at that airport, during the peak periods of the day, from 7.30 am to 9 pm, slots are virtually unavailable for business aviation. To make matters worse, airfields that can offer temporary and occasional relief do not open before 8 am and close before 9 pm. With the congestion in the London Terminal Manoeuvring Area (LTMA) such positioning

flights are a great waste of time, and tend to aggravate an already difficult situation.

One major business aircraft operator at Heathrow, the Field Aviation Group, argues that, as a matter of urgency, the Government should conduct a detailed review of facilities for business aviation in the London area, in parallel with, or as part of, the overall review by the Civil Aviation Authority of air traffic distribution in the South-East of England.

At the recent Montreal international business aviation meeting, the IBAC members registered their view that "business aviation missions are at least equal in importance to society and to national economies as those of any other category of aviation."

They added that business aircraft are "highly sophisticated, equipped with technology at least equal to that of aircraft operated by the airlines," and they argued that a greater understanding of this "would enable the authorities better to meet their requirements."

In the UK, the members of the Business Aircraft Users' Association (BAUA) include many of the biggest industrial

companies in the country, with a combined turnover of some £20bn annually and which provide employment for over 1m people. Such companies, the BAUA believes, have as much right to use their own aircraft for their own benefit, and that of the economy as a whole, as any individual has to fly to Majorca on a package holiday.

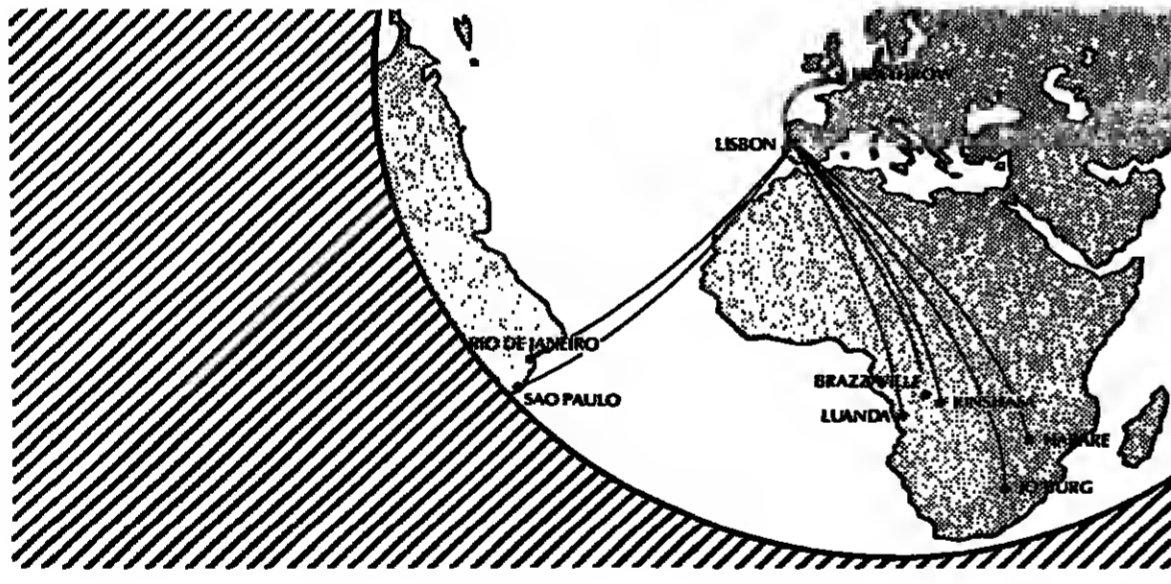
The BAUA earlier this year expressed these views forcefully to Mr Paul Channon, Secretary for Transport, in the light of the Civil Aviation Authority's consultation document on the future distribution of air traffic in the London area. The CAA said it saw no reason to change its policy of giving priority to commercial airline activities, and also thought there was "a strong case for regulating access to airways by business aviation."

"A practice where BAUA members were allowed access to runway slots only when airline traffic had taken all it felt it needed would make proper planning by business companies difficult, if not impossible. If this same practice was extended to cover access to controlled airspace, the situation would become intolerable," the BAUA told Mr Channon.

now considering both the CAA's report and the many other critical representations he has received about it from various aviation interests. His conclusions are likely to be published later this year, and all business aircraft owners are hoping that he will recognise that their element of aviation is a vital contributor to overall economic growth and prosperity.

What business aircraft owners of almost any nation believe to be necessary is a complete reappraisal of attitudes - among government and other authorities - towards business aviation, designed to allow it to find its proper role in economic life. And they want to ensure that they are given some say in the many aeronautical, political, technical and economic matters which affect business aircraft users, as much as the commercial airlines.

Or, as IBAC summarises it: "Fair access to airports and airspace by all classes of users, without artificial constraints, and provision of adequate services in more efficient air traffic control, sufficient numbers of qualified air traffic controllers, increased approach facilities, reliever runways and customs and immigration facilities."



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INSIDE Midland's march into Europe

Sir Kit McMahon (left), chairman of the Midland Bank, says that the group's recent expansion into Europe flows from its claim to be the strongest pan-European wholesale banking presence of any British bank. Its recent moves include the acquisition of the Hongkong Bank, its largest shareholder, and the purchase of a controlling interest in Euromobiliare, a leading Italian merchant bank. Page 28

Reuters plans round-the-clock transatlantic trading system

Reuters Holdings, the UK news and information group, and its latest subsidiary have teamed up with two US exchanges to launch an electronic network for round-the-clock trading of stocks and options. The network, which has still to be approved by members of the two exchanges and US authorities, plans to list options traded on the Chicago Board Options Exchange, stocks traded on the Cincinnati stock exchange and US and UK stocks dealt through Instinet. Page 24

Japanese warrants are king

In a Euromarket of dubious profitability, the issuer of Japanese equity warrant bonds reigns as king. The heavy volume of new equity warrants issued in London's four business days this week will bring into even sharper relief the contrast between the profitability of this sector and the rest of the Euromarket. Page 22

MC Corp files for Chapter 11

MC Corp, the last major bank in Texas to have remained an independent entity, is filing for protection under Chapter 11 of the US bankruptcy code after learning that a group of bondholders had submitted an involuntary winding-up petition to a court in New York. The move puts the company's future in the hands of the bankruptcy courts instead of the monetary authorities. Page 24

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Mr Wim Duisenberg, his group has produced a blueprint for change in Dutch finance

Dutch master plan

Laura Raun looks at how Amsterdam aims to regain some of the ground it has lost as a financial centre

ALARM BELLS are ringing in Amsterdam as the city observes its 750th anniversary. Europe's leading financial centres are slipping away. There is no small irony in the fact that Amsterdam - one of the greatest of Continental trading centres since its golden 17th century - is missing out on the internationalisation of both equity and bond markets as the European Community prepares for 1992's dismantling of trade barriers. More foreign companies are listed in Amsterdam than in any other EC centre - and foreign bonds have been traded since the 18th century.

But missing out is - thanks to what critics say is a combination of antiquated trading regulations, conservative business attitudes and poor physical infrastructure.

Half of all business in Dutch Government bonds has been siphoned off by London - twice the level of two years ago. The Amsterdam Stock Exchange has been eclipsed in size by Milan in recent years, though it remains the fifth largest in Europe. Dutch share price/earnings ratios remain below those in London and New York. And foreign banks now have only 20 per cent of the banking market, compared to 25 per cent a few years ago.

Faced with statistics such as these, the financial establishment has been stirred into action. It has just published a plan drawn up in conjunction with management consultants McKinsey. The aim is to transform Amsterdam into the "financial gateway to continental Europe."

The group was chaired by Mr Wim Duisenberg, president of the Central Bank, and included Bourse executives, prominent bankers, capitalists of industry and high government officials. Critics argue that the plan does not go far enough in tackling some basic problems of the financial structure.

The aims include ensuring that Amsterdam remains the main centre for Dutch guilder paper and carving out market niches in other areas drawing on particular local strengths. These identified include trade finance, venture capital, dealing in the European currency unit and data processing. A foundation has been established to carry out the plan by July 1990.

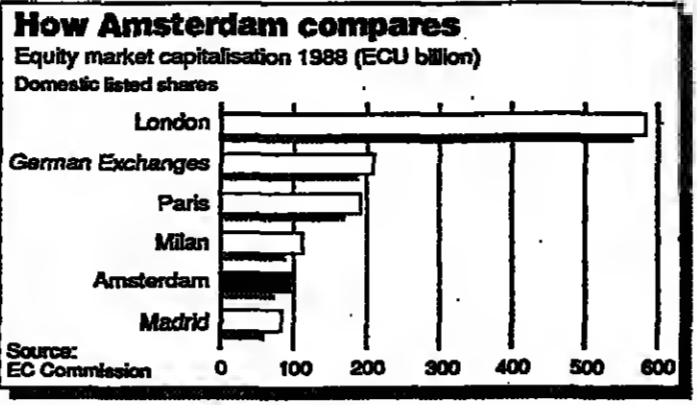
The strategy to achieve this is essentially threefold. First, Amsterdam has to be made a more attractive place for international financial institutions to set up shop. There is, for example, an acute shortage of executive housing and telecommunications are patchy.

Second, the regulations governing the various markets need to be brought more in line with other major financial centres, ensuring that Amsterdam presents a "level playing field" in comparison to its rivals. Improving liquidity and the transparency of markets are identified as the urgent needs.

The solutions put forward include scrapping stamp duty on securities trades; attracting more highly qualified personnel; widening Dutch share ownership and improving the Bourse reporting system. With a rare display of haste, one task force is supposed to propose by May 1 how the lost bond business can be recouped and another will ponder whether "direct dealing" - bypassing brokers - should be promoted. The critics argue that while all this is welcome, some glaring market weaknesses have been ignored.

Take, for example, the plan to specialise in data processing. This is puzzling in view of the fact that Dutch banks lose F1 100m (\$48m) a year in payments clearing and have stonewalled against credit cards, automatic teller machines and point-of-sale terminals.

According to Arthur Andersen, the consultants which recently published a report on the European capital markets, what the Netherlands needs most is more creative, flexible management to stimulate innovative products



Administration drifting into trouble

By Anthony Harris
In Washington

IT IS HARD to believe that it is only two months since Mr Ronald Reagan was President. He has certainly not been overshadowed; Mr Bush, like a man in a fairy tale, is having a hard time casting any shadow at all, and this column is an attempt to explain why he has this problem, and what it portends.

Meanwhile, Mr Reagan has simply faded away, as film stars do at the end of a show, leaving us to wonder at the rickety shams which passed for a capital city. President Bush, to do him credit, does seem to have been well aware that things were not what they appeared.

He has moved very promptly to fill two of the more dangerous holes in the Reagan policies - the savings and loan crisis and the debt crisis. Mr Bush must have been itching to tackle these long before he took over the White House.

It is the longer-term problems of government debt and domestic competitiveness which remain a worry. The budget negotiations have at last begun in something like earnest. There are some real cuts, often in long-redundant programmes, on the agenda.

This is, however, by general consent the easy year; when 1991 comes along, it will be seen that the general purpose US debt strategy of growing out of trouble may be no more plausible for this economy than was the Baker Plan for the LDCs, or reckless "expansion" for the thrifis.

At least this is a policy of a kind; but there are whole important areas, especially in foreign affairs and defence, where everything is still under review.

It is as if Mr Bush had taken over from a secretive opponent rather than from his old boss.

These reviews take a frustratingly long time, but perhaps they will be worth the wait. The muddle over the Brady plan for debt, which has created feverish hope abroad but a good deal of confusion and ill-temper here in Washington, is a sad sign of how things are likely to go if they are done in a hurry, before the full study is complete.

Policy needs guiding principles as well as organisation, though, and we are still waiting.

Mr Bush's distaste for what he calls "the vision thing" could cause something more dangerous than muddle: it leaves room for mischief.

Protectionism already seems to be one of the ideas that will seep in to fill any available vacuum, to



Mr Paul Volcker has been pointing out since he retired from the Fed, and started to make up for last year.

accustomed. This is a long-term crisis of American public life, as Mr Paul Volcker has been pointing out since he retired from the Fed, and started to make up for last year.

Many years ago I was told that only idiots or doctrinaire fanatics would work on such terms, and the terms are much worse now. The reality is that government has no continuity, since everyone leaves, and not enough talent to work out everything from first principles at each change of Administration.

This permanent crisis is not too pressing at the moment, because although Mr Bush has inherited only vague policies, some of Mr Reagan's luck still holds. The economy finished 1988 strongly, and personal savings may be reviving.

But how long will this last? Mr Robert Ortner, who is just retiring after a long spell in charge of economics at the Department of Commerce - and this of most US economic statistics - celebrated his farewell last week by pronouncing the expansion "mature", and thus ready to drop from the tree. Wall Street, marking equities down quite a lot and bonds up just a little, is beginning to behave as if it too was thinking in this way.

All that is clear at the moment is that housing demand is weak, and consumer credit demand has dropped remarkably, despite record reported levels of consumer confidence, and brisk spending in the stores.

Investment spending is also expected to grow less quickly than last year, though still well ahead of GNP. Until these trends are corrected over another two or three months, they cannot be relied on; we have had speed-up and slow-downs in the recent past which vanished on revision, or on later rigour. What is clear, though, is that a recession would cause a real dilemma for an Administration which has staked its strategy on continued growth, without having the power to do much to secure it.

Meanwhile, we are back to an old economic game in Washington: watch export demand, and put pressure on your partners if it flags. Did I hear somebody say "locomotive economy"? No, that was another President who was thought weak.

Economics Notebook

UK industry trails in R&D race

JUST AS Mr Neil Kinnock was outlining the Labour Party's ideas for more active state support of British industry last week, the Organisation for Economic Co-operation and Development produced evidence suggesting that, in the key area of research and development, Britain may have suffered in the past through too much state involvement rather than too little.

A new OECD study, that explores how far micro-economic policy changes in recent years have helped overall economic performance in the industrialised world, shows that industry in Britain finances a smaller percentage of business sector R&D spending than industry in other leading industrial countries.

The OECD's report does not provide statistics on R&D spending after 1985, but its figures show that at 65 per cent, business sector R&D in Britain was the lowest as a share of total R&D spending among the "big five" countries comprising the US, Japan, West Germany, France and the UK. Of this 65 per cent, only 65.6 per cent was financed by industry.

In the case of Japan and West Germany the share of business financed R&D was much larger. Industry financed no less than 96 per cent of the three shares of Japanese R&D was a comparatively high 71.7 per cent of total R&D in the US, with 86.4 per cent of that spending financed by industry.

In France, business sector R&D was 88.7 per cent of the

THIS WEEK

FINANCE MINISTERS and central bank governors from 24 industrialised nations met in Washington from Friday for the Spring meetings of the International Monetary Fund and the World Bank.

The main theme of discussions is likely to be US ideas for reducing the debt burden of third world countries. Other topics will include increases in IMF quotas, or subscriptions, paid by member countries.

Financial markets will also be watching for signals about developments in international interest-rate and exchange policy. Meetings kick-off on Friday with discussions among officials from the group of 24 developing nations.

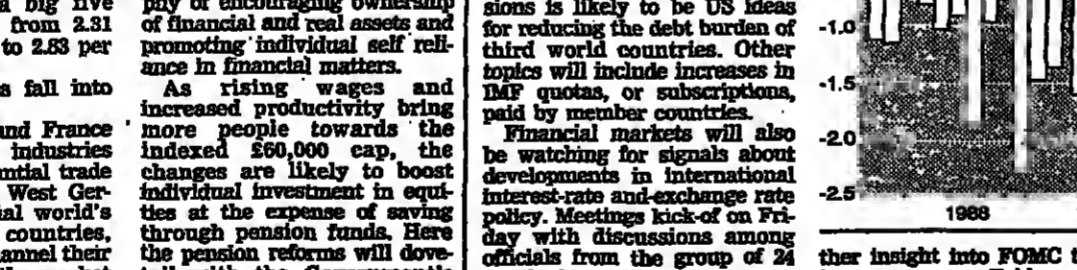
In the UK, trade figures for February are released tomorrow. Analysts will be looking for signs that the deficit, which grew rapidly throughout 1988 is not getting any worse, and possibly improving.

The consensus of City analysts' forecasts, compiled by BMS International, the financial research company, is for a current account deficit of £1.4bn (\$2.4bn). That compares with a £1.7bn deficit reported in January - the third worst on record.

Recent month's figures have moved erratically and financial markets are likely to be wary of a big jump which could undermine positive sterling sentiment and fuel speculation of another rise in interest rates.

Other UK statistics include personal income and expenditure data for the last three months of 1988. As well as showing the buoyancy of the consumer sector, these will show the proportion of incomes saved by the personal sector. A ratio of 1.1 per cent is expected for the fourth quarter.

In the US the Federal Open Market Committee (FOMC), the US Federal Reserve's key policy-making committee, meets today. Analysts will be looking for signs of a tightening of monetary policy. A fur-



ther insight into FOMC thinking comes on Friday when minutes of the February meeting are published.

Leading indicators for the US economy are published tomorrow. These look forward three months and include factory output, money supply, consumer credit and prices. The consensus is for a 0.1 per cent rise.

In West Germany figures for consumer prices in March are due sometime this week, giving a guide to inflation trends. Other events and statistics (with BMS International consensus in brackets) include:

Today: US two year, four year Treasury note auction.

Tomorrow: Opec ministerial monitoring committee meeting in Vienna, possibly followed by meeting with non-Opec countries. UK new vehicle registrations in February, industrial and commercial companies in fourth quarter. US new home sales in February (4 per cent fall), four-year Treasury note auction. France, final consumer price index for February.

Thursday: US manufacturing orders in February, UK energy trends in January.

Friday: Bank of England publishes final money supply statistics for February. Bill turnover statistics and UK banks' assets and liabilities. London sterling certificates of deposit.

Pension Policy

It has become clear since the Budget that Mr Lawson's pension changes constitute a significant micro-economic reform that are designed to both encourage mobility among employees and reduce the Government's financial exposure to a rapidly ageing population in about 25 years time.

The Chancellor has substantially deregulated pensions, making it possible for employers to provide whatever pension they see fit for their employees and giving more encouragement to personal pensions.

However, it is his decision to limit tax relief on contributions to pensions based on a final salary of £80,000 (£102,000) or less that will have far reaching consequences.

The salary cap may appear of little importance at present because it is so much higher than average earnings. But Mr Lawson has decided to index it to retail price inflation rather than higher wage inflation so that it will gradually affect an increasing number of people in Britain.

The result, according to Professor Mervyn King of the London School of Economics, is that the pension changes were

"in many ways the cleverest part of the Budget."

They quietly support the Government's general philosophy of encouraging ownership of financial and real assets and promoting individual self reliance in financial matters.

As rising wages and increased productivity bring more people towards the indexed £60,000 cap, the changes are likely to boost individual investment in equities at the expense of saving through pension funds. Here the pension reforms will dovetail with the Government's decision to greatly increase the size of personal equity plans which free individual investments in shares and unit and investment trusts from capital gains tax and income tax on dividends.

The pension decision also complements the Government's 1985 decision to reduce public pension provision under the State Earnings Related Pension Scheme.

The cap on tax relief should begin to affect a growing number of people from 2010 onwards, just as the percentage of over 65 year olds is set to increase significantly from an estimated 14.6 per cent of the British population to 18.3 per cent in 2020, 19.2 per cent in 2030 and 20.4 per cent in 2040.

In the short term, the £80,000 cap will hit some highly paid executives who might have hoped to move to lucrative pre-retirement jobs. Indeed one victim would be Mr Lawson himself, if as is often supposed, he were to leave Number 11 Downing Street for a plum City job after his time as Chancellor.

"Economics in Transition - structural adjustment in OECD countries: OECD Publications, 2 rue André Pascal, 75775 Paris Cedex 16, FF160 (\$25.40).

Peter Norman

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INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

American Airlines whets bank appetite for aircraft loans

THE ANNOUNCEMENT last week that American Airlines will buy new jet aircraft worth about \$4bn has bankers rubbing their hands in glee, just thinking about the possible loan mandates that might emerge.

Even if the American Airlines order provides no new business to the Euromarkets, the intense demand for new aircraft suggests that the value of existing aircraft is likely to remain firm.

This is prompting those companies which are now leasing aircraft to consider outright purchases of aircraft, meaning new business for banks. Moreover, the strength of the asset is persuading banks to lend to carriers whose credit standing or country risk on their own would otherwise bar them from the syndicated loan market.

Indeed, Chase Manhattan last week was awarded a mandate to raise \$25m for LIness Aereas Canarias, an independent carrier based in the Canary Islands, that has decided to do just that.

The company, which has been in existence for little over a year, has been leasing a MD-80 aircraft which it has now decided to buy. The 10-year loan carries a margin of 1 per cent to 1 1/2 per cent and will be syndicated.

The syndication will be limited to those banks with a Spanish banking subsidiary which can hold the loan on its books. Non-Spanish borrowers will invite withholding tax of 20 per cent on their interest income.

Also said to be on the verge of awarding a mandate is JAT, Yugoslavia's national carrier, which has been purchasing Western aircraft for several years.

Ironically, the explosion in aircraft financing appears to have done virtually nothing to margins. For instance, Portugal's TAP airline has just completed a 12-year loan syndication with margins of 1/2% over London interbank offered rates (Libor) and up-front fees of 15 to 20 basis points.

Just a few months before, TAP had paid 30 basis points

over Libor and more generous fees. Certainly, the number of bankers looking to establish a niche in the market has been a significant factor in keeping margins down.

In addition to traditional bank lenders, a number of specialist aircraft lenders have come to the fore.

Recently, GFA Group, the world's largest aircraft leasing company, has established a financial services division to provide funding for its own customers rather than have them seek borrowings in the outside market.

GFA still intends to use the Euromarkets for its own corporate funding, but it has found more advantageous ways of raising money for its individual aircraft orders on its own.

Mr Colin Barrington, the company's chief commercial officer, said that while the unit concentrates on tax-based leasing arrangements for clients, it plans to one day expand to offer aircraft financing to non-clients.

"Our ideal is that eventually we could be an aviation investment banker," he said.

Besides aircraft financing, the single deal that emerged in the Euroloans market during the pre-Easter lull is a four-year \$400m revolving credit facility for First National Bank, a UK-based consumer bank.

While the borrower is a licensed deposit taker, virtually all its funding is via its correspondent banks or the wholesale markets.

Bank of America, International Bank of Tokyo International, Credit Lyonnais UK and Midland Montagu are joint arrangers.

The facility is intended to provide advances, certificates of deposit and bankers acceptances and is extendible at the lenders' option.

There is a margin of 27 1/2 basis points for the first three years and 30 basis points thereafter. Commitment fees range from zero to 10 basis points depending on utilisation. Participation fees will range from four to 10 basis points.

Norma Cohen

INTERNATIONAL BONDS

When Japanese equity warrant paper issuer is king

IN A EUROMARKET of dubious profitability, the issuer of Japanese equity warrant bonds is king. That is not a new development. As the weeks go by, however, and the general outlook for fixed-income instruments becomes ever more depressed, the contrast between the profitability of the equity warrant sector and the rest of the Euromarkets becomes starker.

The heavy volume of new equity warrant issues scheduled for London's four business days this week will bring this into even sharper relief. While other syndicate managers are struggling to match patchy investor demand with borrowers' preference to exploit advantageous short-term funding rates, the big Japanese houses will bring just short of \$4bn of deals to market. They are confident of success.

Nomura alone is due to launch four issues this week, including \$1bn for Japan Airlines, \$500m for Showa Denko, and \$300m for Kamigasaki. Nikko's five scheduled deals include \$400m for Judo Paper, \$300m for Onoda and \$300m for Toyo Menka, while a \$700m issue will be launched for All Nippon Airways in April.

When the Tokyo equity market fell by more than 1 per cent in a single day last week, these were renewed suggestions that the stock market bubble might be about to burst, taking equity warrants down with it.

Take the market's stellar performance, add the creeping corruption of the Recruit scandal and some analysts argue you have a formula for sudden and possibly dramatic declines. Market professionals are conspicuously absent from those predicting the imminent demise of the Nikkei 225's upward progress - "a natural correction," was one trader's description of the 366 point fall.

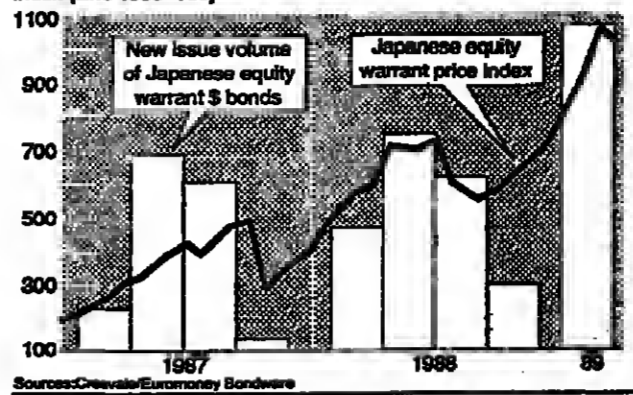
The word from Tokyo is that the new financial/fiscal year beginning in April should see a powerful buying surge, perhaps sending the Nikkei index to 34,000. Analysts who predicted 35,000 by the end of 1989 and were ridiculed last year are now beginning to look conservative.

Equity warrant traders say that their market is largely unaffected by what happens in the Nikkei, arguing the index is increasingly unrepresentative of the all-share market.

Equity warrant holders have made fabulous profits in this year's glamorous sector. In particular, some construction-linked companies have seen their share prices more than double, implying up to 400 per cent gains for investors which bought warrants at lower levels.

One beneficiary has been Nomura's recent equity warrant issue for Ohbayashi Corporation. The bonds went to an immediate premium to their par issue price, trading in the

Index (End 1985=100)



Sources: Citicorp/Eurocurrency Bondwire

grey market at 106 bid at the end of the first day.

On Thursday, traders were quoting the bonds with warrants as high as 108 bid, much to the frustration of some investors who had left overnight offers and found themselves short when the price ran away from them.

The main reason for the demand is that Ohbayashi has an affiliate called Ohbayashi Road Construction which is involved in civil engineering projects and land development, activities which Japanese investors have accorded the highest status.

In one case, enthusiasm for construction-related stocks went too far. Nomura was scheduled to bring an equity warrant deal last Thursday for Toyo Construction, a major

civil engineering company.

The Ministry of Finance, which guards against manipulation of prices ahead of price fixings, stepped in to block the deal after Toyo's share price responded too positively to news of the deal. Since the beginning of January, Toyo shares have risen from ¥600 to ¥1,230, or by 105 per cent.

To coincide with the new financial year, the major Japanese banks and brokers produce lists of recommended stocks which outline their investment outlook for the months ahead. Nomura's list of 13 stocks is the first to become public this week and it casts interesting light on the likely strengths of the market.

Nomura has based its selection on a projected decline in interest rates and a gradual

strengthening of the yen. It is stressing the dynamism of domestic companies, targeting companies involved in major infrastructure projects which are leading Japan into the next century.

The International Primary Markets Association (Ipma) market practices committee met last week to discuss the widespread dissatisfaction among syndicate managers with existing Eurobond new issue procedures.

Committee members said there was fruitful and open discussion. The chairman, Mr Hansgeorg Hofmann, said the committee would meet again on April 10 to try to formulate a recommendation for presentation to the main issue board which is due to meet on April 14. Mr Hofmann said he was pleased with progress and hoped that a recommendation would be forthcoming.

The committee agreed to refrain from further comment ahead of the main board meeting, but it is believed that there were dissenters who argued that the current syndication procedures should be left intact.

There has been ongoing controversy among Eurobond houses which have lost money as a result of the abuse of syndication practice by lead managers.

The present rules allow lead managers to deduct a charge

from managers underwriting fees for costs incurred in stabilising the price of new issue bonds. Some houses have been accused of deliberately pricing deals aggressively with the intention of reducing managers' fees, perpetuating an inefficient and expensive method of distributing bonds to end investors.

At the beginning of March, Credit Suisse-First Boston announced that it would no longer make prices of its new issues to brokers in an attempt to prevent traders outside its syndicate interfering in the distribution process.

Several other houses, including Deutsche Bank and Union Bank of Switzerland, have since launched issues under radically altered syndication procedures.

Although this is an improvement, many players think the lack of a standard is causing undue confusion. They are looking to Ipma to produce a thorough recommendation defining new issue practice along rational lines.

They want the ones to be on lead managers to price deals realistically. At the moment, the market practices committee is the crucial forum. Its members are being lobbied to try to make sure they produce a recommendation forceful enough to be acceptable to the market.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %	Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS															
Ohbayashi Corp.♦♦	250	1993	4	4 1/2	100	Nomura Int.	4.250	Nomura Sec. (JP)♦♦	250	1994	-	1 1/2	100	URS	0.500
Sejin Ltd.♦	300	1993	4	4 1/2	100	Daiwa Europe	4.125	Nomura Sec. (JP)♦♦	250	1994	-	1 1/2	100	Nomura Bank (Switz)	0.500
Nippon Shuppan Co.♦	300	1993	4	4 1/2	100	Daiwa Europe	*	Escom(South Africa)♦♦♦	50max	1992	-	7 1/2	100	(?)	7.500
Nippon Shuppan Co.♦	150	1993	4	4 1/2	100	Nomura Singapore	*	FRENCH FRANCS							
General Elec. Cap. Corp.♦	300	1991	2	10 1/2	100.95	Kidder Peabody	8.850	NEISA(♦)♦	400	1997	6	10bp	100	Societe Generale	
Finland Export Credit♦	100	1991	2	10 1/2	101.05	Mitsubishi Fin. Int.	10.020	LUXEMBOURG FRANCS							
Stoebank (Cayman)♦	50	1994	6	8	101.075	DKB International	*	Copenhagen Telephone♦♦♦	300	1994	5	8	100 1/2	Kredobank Int.	7.875
Mitsubishi Corp. Fin.♦	150	1991	2	10	83.525	J.P. Morgan Secs.	9.419	Copenhagen Telephone♦♦♦	300	1994	5	8	100 1/2	BGL	7.887
BNI Singapore♦	100	1990	1	10.00	100 1/2	Yamaichi Int. (Eur)	10.112	Fin France & Trade♦♦♦	300	1992	3	8	100 1/2		
Nok Corp.♦	150	1993	4	4 1/2	100	Nomura Int.	*	YEN							
CANADIAN DOLLARS															
Compagnie Bascaire♦	100	1992	3	12	101.30	Goldman Sachs	11.464	Kansai-Osaka-Fin(♦)♦♦	5bn	1993	4	7.42	101.825	Nippon Credit Int.	0.941
Mat. Nederlanden US♦	75	1991	2	12 1/2	101.05	US (Sees)	11.888	Midland Int. Fin. (†)♦	2bn	1993	10	7 1/2	102	Sanwei Montagu	7.850
Export Dev. Corp.♦	100	1990	1	13	101 1/2	Wood Gundy	11.467	Svebank(♦)♦	3.3bn	1995	4	7 1/2	101.95	Bk of Tokyo Cap. Mkts	7.080
AUSTRALIAN DOLLARS															
Volkswagen Int. Fin.♦	100	1994	5	15	102	Deutsche Rk. Cap. Mkts	14.412	STERLING							
D-MARKS															
Ram Dis Ticareti♦♦	30	1993	4	8 1/2	100	J.P. Morgan	8.500	J. Selisbury(Cap.) (†)♦♦	150	2004	15	5	100	Warburg Securities	6.000
IKB Int. Luxembourg♦	100	1994	5	6 1/2	100 1/2	Industriekreditbank	6.629	<small>*Not yet priced. ♦♦Private placement. ♦♦♦Equity warrants. ♦♦♦Fixed rate notes. ♦†Fixed term. ††Covered interest parity. †††Agreed basis - Bank Loan. Amount will be between \$250m-500m. Call after 2 years at 101. Put option after 6 months at 90% and thereafter every six months (until 30 months at 101). Redemption at 102 after 3 years. Call after 5 years at 101 and 100 thereafter. Call after 10 years at 100 and thereafter on each coupon date. 100p over 3 month period. †††Redemption based on Nikkei stock index. †††London Interbank Offered Rate. †††Put yield 1.05%. Note: Yields are calculated on ARB basis.</small>							

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- ★ Long-term single premium down 6% to £426m
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- ★ Funds under management up 15% to £9.4bn
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INTERNATIONAL CAPITAL MARKETS

UK GILTS

Ennui before February trade data

THE GILT-EDGED securities market put in one of its duller weeks in recent memory last week. A healthy rise in long-term interest rates in the market, with the exception of the Bank of England, produced little movement in prices.

less because of the timing of Easter. Thursday's retail price data were within a reasonable degree of tolerance of the consensus expectation.

in gilts artificially increase prices and depress yields, many asked. The Paris-based Organisation of Economic Co-operation and Development is an unlikely source of guidance on these matters, but a study published last week (Economies in Transition: Structural Adjustment in OECD Countries) sheds some light on the issue of government debt and interest rates.

that "the stock of debt may matter for interest rates as much as the deficit itself." Portfolio balance principles suggest the increases in debt/gross national product ratios may affect the level of interest rates, it says.

US MONEY AND CREDIT

Novel question for the US economy

IS TIGHTER money beginning to squeeze the US economy? The question is a novel one. Just 10 days ago, stock and bond markets all round the world were retreating in alarm at US inflation that seemed to be careering out of control.

The Fed could choke off housing activity and cool the economy simply by pushing market interest rates above the 15th deposit-rate ceiling, so they could not find the funds for lending.

year, the highest rate since the end of 1987. Adjustable-rate mortgages, which account for more than half of the market, are being offered at discounted first-year rates of 9.10 per cent, the highest since early 1988.

the housing market. "Because of the drying-up of demand in the mortgage-backed market, long-term fixed rate mortgages are going to rise 150 basis points to 12.5 per cent. The price of home ownership and mortgage credit to the US is about to soar dramatically."

ONE OF the aspects in Mr Lawson's Budget that raised a cynical eyebrow among many gilt-edged analysts was the way the Treasury used the state of the gilt yield curve to suggest inflation expectations of long-term investors had remained stable to improving.

On two occasions in the last week the Treasury drew attention to the stability of long-term interest rates in the UK. This was seen as self-serving. Did not the Bank's buying

Although the proposition, that government borrowing displaces corporate borrowing and raises the interest rate level, felt intuitively, the evidence for or against was thin. A causal link was hard to demonstrate empirically.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

Table listing various international bonds with columns for Issuer, Face Value, Maturity, Coupon, and Price. Includes sections for UK Gilts, FT/AIBD International Bond Service, and various international issuers like Germany, France, Japan, etc.

US MONEY MARKET RATES (%)

Table showing US Money Market Rates for different maturities: 1 week, 4 weeks, 12 weeks, 3 months, 6 months, 12 months.

US BOND PRICES AND YIELDS (%)

Table showing US Bond Prices and Yields for various maturities: 1 week, 4 weeks, 12 weeks, 3 months, 6 months, 12 months.

BENCHMARK GOVERNMENT BONDS

Table showing Benchmark Government Bonds for UK Gilts, US Treasury, Japan, Germany, France, Canada, Netherlands, and Australia.

Advertisement for Nippon Shokubai Kagaku Kogyo Co., Ltd. featuring a logo, company name, and details of a \$100,000,000 4 1/4 per cent. Bonds Due 1993 with Warrants. Lists various international banks and financial institutions.

STANDARD BOND: Yield to redemption of the mid-price. Amount shown is expressed in millions of currency units except for Yen bonds, where it is in billions. Floating rate notes: US dollar notes indicated. Margin above 26-month offer rate for US dollars, 6-month current coupon.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Bondholders' move forces MCorp into Chapter 11

By Anatole Kaletsky in New York

MCorp, the last large bank in Texas to have remained independent, announced yesterday that it was filing for protection under Chapter 11 of the US bankruptcy code, after learning that a group of bondholders had submitted an involuntary winding-up petition to a court in New York.

MCorp's precedent-setting filing puts the company's future in the hands of the bankruptcy courts instead of the monetary authorities, and therefore poses a serious challenge to the system of US bank regulation.

The Federal Deposit Insurance Corporation and Federal Reserve Board were known to have been concerned about an earlier threat of bankruptcy issued by Mr Gene Bishop, MCorp's tough chairman, last October.

The threat came after the Federal Reserve suggested that \$400m of cash and other assets belonging to MCorp, which is a bank holding company, should be injected into some of its technically insolvent banking subsidiaries.

Mr Bishop argued that these

assets belonged to MCorp's bond and shareholders and should not be used to support insolvent banks.

The Fed's long-standing policy, in contrast, had been that all assets of bank holding companies must be available to support the banks they control.

This policy was not only a fundamental principle of US bank regulation but also played a key part in the Fed's thinking about extending bank holding companies' powers into other fields, such as securities and insurance. However, it had never been tested in the courts or backed by explicit legislation, and the Fed was believed to be anxious to avoid a test, particularly in the bankruptcy courts.

As a result, the Fed backed away from its demand that MCorp immediately recapitalize its subsidiaries, and the regulatory bodies worked hard behind the scenes with Mr Bishop to find a buyer for the company.

The regulators also persuaded MCorp's institutional creditors to await an officially-backed restructuring. But they

did not reckon on a number of recalcitrant bondholders.

MCorp suspended interest payments on \$470m worth of bonds last October and in spite of its co-operation with FDIC and Fed examiners it remained in default on these bonds. This allowed three small creditors, holding only about \$2m of debt between them, to submit a petition on Friday night for MCorp's involuntary liquidation under Chapter 7 of the US bankruptcy code.

The creditors argued that they should have first call on the assets remaining in the holding company, rather than allowing them to be used as part of a Federally-backed bailout of MCorp's subsidiary banks.

In response to this petition, MCorp said yesterday morning that it would use its rights to convert the Chapter 7 filing into a voluntary filing under Chapter 11. This would suspend all claims against the company and place MCorp's assets under the control of the bankruptcy court, while management took time to propose a reorganisation plan.

Buy-out proposal values AMI at \$3bn

By Anatole Kaletsky

AMERICAN Medical International, the third largest US hospital group, has received a leveraged buy-out offer worth \$24 a share, or about \$3bn in total. It is also considering an alternative financial restructuring which would provide shareholder value of between \$25 and \$30 over a six to nine-month period.

The offer for AMI, which had long been subject to takeover speculation, came from Dr M. Lee Pearce, owner of one of the largest shareholdings in the company, and a financial vehicle called Shamrock Investments, created by two former executives, Mr Charles Kelly and Mr Michael Gallagher.

Shamrock said that it was unrelated to Shamrock Holdings, another Los Angeles buy-out group controlled by Mr Roy Disney, which has recently been involved in a takeover bid for Polaroid. Dr Pearce owns 10 per cent of AMI's stock and is a director.

The Bass family of Texas is another big shareholder, with about 11 per cent of AMI. The Pearce-Shamrock bid was said to be backed by "a major financial institution." About \$20 to \$22 of the \$24 a share offer price would be paid in cash, with the rest paid in securities.

Details of the alternative restructuring plan were not disclosed, but the board said the plan would allow AMI to continue as a publicly traded company.

A special directors' committee is being appointed to compare the competing offers.

Privatbanker's UK subsidiary soars

By David Lascelles

PRIVATBANKEN Ltd, the UK subsidiary of Privatbanken of Denmark, made pre-tax profits of \$7.75m (\$13.3m) in 1988, up nearly 100 per cent on the \$3.96m recorded a year earlier. Experience of Danish business and Scandinavian currency dealing helped growth significantly.

Reuters in electronic trading plan

By James Buchan in New York

REUTERS Holdings, the UK news and information group, and its Instinet subsidiary have teamed up with two US exchanges to launch an electronic network for round-the-clock trading of stocks and options.

The network, which has still to be approved by members of the two exchanges and US authorities, plans to list options traded on the Chicago Board Option Exchange, stocks traded on the Cincinnati stock exchange and US and UK stocks dealt through Instinet, which operates a computer-based market for block trades of stock.

Under the plan, traders will be able to get into these markets through Reuters' network of 170,000 video terminals which supply financial information to investors, bankers and traders worldwide.

Mr Duke Chapman, chairman of the Chicago Board, said: "The development of the electronic network is a natural for all parties concerned, bringing together the technological expertise already in place at our organisations."

Mr John Hull, executive vice-president of Reuters' US operation, said: "This venture will speed the process of providing a true 24-hour electronic

market in world-class stocks and stock options."

The move, announced last week, will create and operate a worldwide electronic order entry, routing, negotiation and execution system for the securities of the two exchanges.

The Chicago Board, the world's largest options exchange, has already experimented with electronic trading through the so-called Electronic Book, a computerised system for its Standard & Poor's 100 and 500 index options.

But the Cincinnati exchange, which is fully computerised, and Instinet have not managed

to attract a large market share in stock transactions from floor exchanges, such as the New York Stock Exchange.

Mr James Anderson, an executive of the Cincinnati exchange, said the link with Reuters' distribution system would increase access to its market, now conducted through its own monitors. Worldwide, Instinet traded about 25m shares through 1,000 of its own terminals last year.

The Cincinnati and Chicago exchanges are regulated by the Securities and Exchange Commission, which will have to approve the deal.

Sale of Credioop stake agreed

By Alan Friedman in Milan

AGREEMENT has been reached on the gradual acquisition by Istituto San Paolo di Torino, the wealthy Turin bank, of a 40 to 50 per cent equity stake in Credioop, the Rome-based corporate finance and investment banking concern.

San Paolo is expected to spend up to L1,300bn (\$947m) on the deal, which will create Italy's first large diversified commercial banking and financial services group. It will create a group with more than L100,000bn of assets.

The San Paolo-Credioop deal will also benefit Banco Nazionale di Lavoro, another big Italian bank, because two of Credioop's shareholders - INA, the

state insurer, and INPS, the state pension organisation - are to sell their combined 30 per cent stake in Credioop to San Paolo and then use the proceeds to subscribe a planned capital increase for BNL, in which they are also shareholders.

Following the sale of the INA and INPS equity stakes, a Credioop rights issue will be reserved to San Paolo, which will gain an additional 5 per cent stake in Credioop by means of this issue.

It is not paying with cash, but by transferring some of its medium-term credit divisions to Credioop.

This issue will dilute the 65 per cent stake in Credioop now

owned by the Cassa di Risparmio di Prato, the postal savings agency. A third phase of the deal will see San Paolo buying more Credioop shares from the Cassa di Risparmio di Prato and the Cassa di Risparmio di Roma, the smallest of the three commercial banks controlled by the IRI state holding group, has announced a return to profit for 1988. The bank, which is shortly to go ahead with a L1,000bn capital increase, made a L45.9m net profit in 1988 against a break-even result in 1987.

The bank said that its deposits at the end of 1988 totalled L53,856bn.

Delhaize lifts payout to BFr48

By William Dawkins in Brussels

GROUP Delhaize Le Lion, the diversified Belgian-owned supermarket group, has increased its net dividend by 30 per cent from BFr37 to BFr48 for 1988.

The announcement coincided with the group's confirmation of a 43 per cent jump in after-tax profit for 1988 on a 24 per cent rise in turnover. Sales rose to BFr210.7bn (\$3.4bn) from BFr170.3bn in 1987, with profits up from BFr1.53bn to BFr2.18bn.

Turnover in the Belgian part of the business, the country's second largest retailer, rose by 6 per cent to BFr66.4bn. Net earnings rose much faster, by 56 per cent to BFr8.5m, due mostly to a surge in investment income.

Food Lion, the 44 per cent owned US offshoot, managed a 31 per cent rise in net income to \$112.5m on a 29 per cent increase in sales to \$3.5bn. The US company expects to open 100 supermarkets in the US this year to add to its 567 existing stores.

Its Cab Foods franchise superstores business in Atlanta opened four outlets last year, bringing the total to seven.

Pingo Doce, Delhaize's Portuguese food retailing subsidiary, doubled its sales to BFr22.2bn (\$344m) following the takeover of 35 supermarkets in 1987.

Next Computer extends market for workstations

By Louise Kehoe in San Francisco

NEXT Computer is expected to enter the commercial market with its advanced computer workstations, which have previously been available only to college students and teachers.

Mr Steve Jobs, owner of the company, is likely to unveil an agreement with Businessland, a leading US computer dealer, to sell the Next computer.

The move represents a change of plan for the company. When the Next Computer was launched last October, Mr Jobs, the former chairman and co-founder of Apple Computer, said he would not address immediately the broader business market.

Industry analysts believe that slower than anticipated sales of the computer to colleges and universities have forced a change of strategy.

Shamrock, Polaroid unveil peace pact

By Roderick Oram in New York

AIRMAIL MAY yet become a new term in US takeover battles following Polaroid's defeat of a bid by Shamrock Holdings, the investment vehicle of Mr Roy Disney, the California businessman.

The two parties unveiled a peace pact yesterday, ending an eight-month battle by Mr Disney to either take over the instant photography group or force a restructuring.

Shamrock had already agreed last Friday to tender its 65 per cent stake in Polaroid in the company's share buy-back, part of a package of defensive moves that will place a substantial minority of shares in friendly hands.

However, as part of the settlement Polaroid has agreed to spend \$5m over the next three years buying air time to advertise its products on Shamrock's

network of some 15 radio and television stations.

The clause looks like a minor variation on the discredited takeover ploy of greenmail, whereby a raider uses a block of shares in a target to persuade it to buy back its shares or spin-off a desirable part of its business.

In Polaroid's case, Shamrock will get no special treatment on the share buy-back. So heavy was the response, the company is accepting only 27 per cent of each shareholder's tender, including Shamrock's.

Polaroid also reimbursed Shamrock \$20m for its bid expenses and agreed to distribute to shareholders certain percentages of the patent infringement damage award it will collect from Eastman Kodak.

The award could run to about \$1.5bn.

Wood Gundy Inc.

is pleased to announce that it has relocated to

Cottons Centre
Cottons Lane
London SE1 2QA

Switchboard 01-234 7100
Telex 886752

Our new telephone numbers are

EQUITIES

Equity Traders

01-234 7211/20

STX 74051 (4 AUX)

Trader Sales

01-234 7221/6

STX 74051 (4 AUX)

Institutional Equity Sales

01-234 7243 to 7279

Institutional Equity Sales Fax

01-407 6449/50

Miscellaneous Equities

01-234 7195/6

Night Dealers

01-234 7228/31

Research

01-234 7238/9

Securities Settlement (Overseas Delivery)

01-234 7332/9

(London Delivery)

01-234 7340/50

FOREIGN EXCHANGE

Foreign Exchange

01-234 7197/210

Foreign Exchange Settlement

STX 74528 (2 AUX)

01-234 7354/7360

EUROBONDS

Eurobonds A\$/US\$ Traders

01-234 7103

Eurobonds C\$ Traders

01-234 7149

Eurobonds Sales

01-234 7119

Domestic Sales and Trading

01-234 7163

Primary Traders

01-234 7155/8

Syndication

01-234 7159/62

Swaps

01-234 7169

Settlements (Euros)

01-234 7361/6

Settlements (Domestics)

01-234 7372 and 7374

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NEW ISSUE

This announcement appears as a matter of record only.

March, 1989

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UK COMPANY NEWS

Barings static at £8m as non-banking side falls

By David Lascelles, Banking Editor

Barings, the privately owned City of London merchant banking group, had a "good profitable year" in 1988 though it was not up to the standard of 1987, according to Sir John Baring, the chairman.



Sir John Baring: results not up to the standard of 1987

Barings' banking and capital markets activities "were not immune from the well-publicised difficulties which affected fixed interest market making," - a reference to the losses being experienced in the gilt-edged market.

Sir John says that the EC's plan for a single market "presents a tremendous opportunity for London in merchant and investment banking," though it also implies more competition.

The UK should take the lead, he says, in ensuring that the financial services and securities markets of other, more restrictive, countries are opened up.

Sir John is retiring as chairman after 15 years. He is succeeded by Peter Baring, a distant cousin.

British Steel switches rails

By Nick Garnett

BRITISH STEEL has taken a sidestep into diversification with the announcement that it is purchasing Crueset from Regent (GLE), a company which lays specialist rail track and manufactures rail switches and points.

Boakalis Westminster. The purchase price was not disclosed. GLE, which employs 250 and is based in Southrop, South Hampshire, had sales last year of £10m.

It specialises in track for docks, cranes and ships, and has laid track for the Docklands railway in London and has worked as a subcontractor for British Rail.

British Steel's track products business had sales of £8m last year, it announced this week a

£12m order to supply track for a new line to be laid by the Indian Railways Board between Calcutta and Delhi. Workington produces about 250,000 tonnes of rail track a year. British Steel said the purchase of GLE would help the steel maker anticipate changes in the market for rail.

Since privatisation, British Steel has raised its stakeholding in Tinsley Wire Industries (Twi), the Sheffield wire and wire products maker, and has entered talks on the possible purchase of part of the West German Klockner group.

Garton profits boosted 52%

A CONTINUING high level of demand and the containment of costs enabled Garton Engineering to lift turnover 29 per cent and pre-tax profit 52 per cent in 1988.

Turnover rose to £20.12m (£15.58m) and taxable profit to £1.22m (£803,000). Earnings were 21.3p (15.06p) and the proposed final dividend is 4.75p (3.75p) for a total of 6.25p (5p).

Looking to the current year, Mr Garton said a significant expenditure and the resultant increased productivity contributed to the results and would continue to do so.

increase in manufacturing plant coming into operation in the second half of 1988, the capacity constraint, and so the group would hope to offset high interest and an expected small reduction in the growth of market demand.

There would also be a full year's contribution from 1988 acquisitions, Kingdons of Southport and H Goodwin.

Bear Brand relaunches rights

By John Thornhill

BEAR BRAND, the history group, is to relaunch a £5m rights issue on "substantially the same terms" as one that was voted down by its shareholders in January.

Mr Nick Oppenheim, Bear Brand chairman, said yesterday: "I am pleased that we are now able to take the company forward once more."

The two-for-three rights issue involves 58.13m new shares at 5p each - 6p payable on acceptance and 3p in September.

The proceeds will be used to develop the company's manufacturing and distribution operations and to enable the company to diversify

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Thursday March 23, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with columns for Country, £ Stg, US \$, D-Mark, Yen (x 100), and Country, £ Stg, US \$, D-Mark, Yen (x 100). Lists various countries and their exchange rates.

Special Drawing Rights March 22 1989 United Kingdom £1.756661 United States \$1.30123 Germany West D-Mark 2.49305 Japan Yen 170.721 European Currency Unit Rates March 23 1989

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Ecological imports; (f) Financial rate; (g) Export; (h) Non-commercial rate; (i) Business rate; (j) Buying rate; (k) Selling rate; (l) Money market; (m) Market rate; (n) Official rate; (o) Preferential rate; (p) Retail rate; (q) Retail rate for travellers; (r) Tourist rate; (s) Tourist rate; (t) Tourist rate; (u) Tourist rate; (v) Tourist rate; (w) Tourist rate; (x) Tourist rate; (y) Tourist rate; (z) Tourist rate.

TRADE INDEMNITY CREDIT RISK MANAGEMENT SERVICES 01-739 4311

THE SANKEI BUILDING CO., LTD. (Kabushiki Kaisha Sankei Building) (the "Company") Issued in conjunction with an issue by the Company of U.S.\$60,000,000 2 1/2% per cent. Guaranteed Bonds due 1992

Cydsa To the Holders of Floating Rate Notes of CYDSA, S.A. Due 1988-1991: PLEASE TAKE NOTICE, that CYDSA, S.A., a corporation organized and existing under the laws of the United Mexican States, intends to offer pursuant to an Offer Letter dated March 23, 1989, the U.S. \$34,378,000 Floating Rate Notes due 1988-1991 and issued pursuant to a First Supplemental Indenture dated as of February 5, 1985 between CYDSA, S.A. and First Interstate Trust Company of New York, as Successor Trustee, as supplemented by a Second Supplemental Indenture dated as of August 30, 1988 and a Third Supplemental Indenture dated as of March 25, 1988. To accept the Offer (once it is made) the Form of Acceptance should be executed and delivered in accordance with the instructions in paragraph 5 of the Offer Letter on or before March 30, 1989. Holders may obtain a copy of the Offer Letter on March 29, 1989 from Royal Bank of Canada, London, 71 Queen Victoria Street, London, England EC4V 4DE.

NOTICE THE SUMITOMO BANK, LIMITED U.S.\$300,000,000 3 1/2% per cent. Convertible Bonds 2004 Notice is hereby given that with respect to the issuance of new shares for free distribution authorized at the meeting of the Board of Directors held on 9th March, 1989, the shareholders appearing on the Register of Shareholders of the Bank as at Friday, 31st March, 1989 (Japan time) (the Record Date) will be allocated 0.1 new share for each share held by them, disregarding fractions, and as a result of such authorization of free distribution of shares the following adjustment of the Conversion Price shall be made pursuant to Clause 7 (H) of the Trust Deed dated 12th January, 1989 and constituting the Bonds:

U.S.\$75,000,000 EAB FINANCE N.V. (Incorporated with limited liability in the Netherlands Antilles) Guaranteed Floating Rate Notes Due 1990 Guaranteed on a subordinated basis as to payment of principal and interest by European American Bancorp (Incorporated with limited liability in New York, U.S.A.) Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from 28th March 1989 to 28th September 1989 the Notes will carry an interest rate of 11 3/4% per annum. On 28th September 1989 the interest of U.S.\$285.90 will be due per U.S.\$5,000 Note for Coupon No. 13. EBC Amro Bank Limited (Agent Bank) 28th March 1989

HAMPTON TRUST PLC (Incorporated in Scotland under registered no. 13187) a wholly owned subsidiary of Southend Property Holdings PLC £77,000,000 10 1/2% per cent. First Mortgage Debenture Stock 2025 Issue Price £98-929 per cent. James Capel & Co. Limited has agreed to subscribe or procure subscribers for the Stock. Application has been made to the Council of The Stock Exchange for the Stock constituting the above issue to be admitted to the Official List. It is expected that dealings will commence today. Interest will be payable semi-annually in arrear on 31st March and 30th September. The first payment of interest will be in respect of the period from 31st March, 1989 to 30th September, 1989. Listing particulars of the Company relating to the Stock are available in the statistical services of Extel Financial Limited. Listing particulars may be obtained during usual business hours on any weekday (public holidays excepted) from the Company Announcements Office of the Quotations Department of The Stock Exchange, up to and including 30th March, 1989 or during usual business hours on any weekday (Saturdays and public holidays excepted) at the addresses shown below up to and including 12th April, 1989.

United Kingdom U.S.\$4,000,000,000 Floating Rate Notes Due 1996 In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 28th March, 1989 to 28th June, 1989, the Notes will bear interest at the rate of 10 1/4% per cent. per annum. Coupon No. 11 will therefore be payable on 28th June, 1989 at the rate of US\$13,177.98 from Notes of US\$500,000 nominal and US\$263.54 from Notes of US\$10,000 nominal. S.G. Warburg & Co. Ltd. Agent Bank

U.S. \$188,100,000 Banco Internacional S.N.C. Floating Rate Notes Due 1991 In accordance with the provisions of the Fiscal Agency Agreement between Banco Internacional S.N.C. and First Interstate Capital Markets Limited, dated as of 15th September, 1986 notice is hereby given that the Rate of Interest for the next six month Interest Period has been fixed at 11 3/4% p.a. and that the interest payable on relative Interest Payment Date, 28th September, 1989 in respect of U.S.\$100,000 nominal amount of the Notes will be U.S.\$5,973.61. Reference Agent First Interstate Capital Markets Limited 28th March 1989

INTERNATIONAL DIRECT MARKETING The Financial Times proposes to publish this survey on: 18 April 1989 For a full editorial synopsis and advertisement details, please contact: Neville Woodcock on 01-873 3880 ext 3305 or write to him at: Number One Southwark Bridge London SE1 9HL FINANCIAL TIMES

\$50,000,000 ALL NIPPON AIRWAYS CO., LTD. (Zan Nippon Kyoji Kabushiki Kaisha) GUARANTEED FLOATING RATE NOTES DUE 1991 Unconditionally and irrevocably guaranteed as to payment of principal and interest by The Long-Term Credit Bank of Japan, Limited Notice is hereby given that the Rate of Interest has been fixed at 13.125% p.a. and that the interest payable on the relevant Interest Payment Date, 28th September, 1989 will be US\$1,177.98 from Notes of US\$10,000 nominal and US\$235.57 from Notes of US\$50,000 nominal. March 28, 1989, London By: Citibank, N.A. (CSSI Dept), Agent Bank CITIBANK

UK COMPANY NEWS

Telegraph plans to lift Utd Newspapers stake

By Raymond Snoddy

HOLLINGER, the Canadian group controlled by Mr Conrad Black, which owns about 82 per cent of the Daily Telegraph, intends to increase its 1 per cent stake in United Newspapers, the newspaper group run by Lord Stevens.

Hollinger believes that the 1 per cent stake disclosed at the weekend is too small to make much sense. Although no precise final percentage has been set, a limit and the speed with which the stake is increased will depend on market conditions.

The Canadian group has made it clear that two basic aims lie behind the purchase. One is to guarantee the stability of the joint Docklands printing plant venture owned by the two companies.

More importantly, if a serious predator should strike at United, publishers of the Daily Express, Sunday Express and The Star, Mr Conrad Black, chairman of the Daily Telegraph company, wants to have a seat at the table and be able



Conrad Black: Influencing future of Utd Newspapers

to influence the outcome.

In 1987 Mr Black proposed a defensive merger to Lord Stevens that would have given the Telegraph a stake of around 30 per cent in the new company but this was rejected by the United chairman.

It is thought unlikely that a similar suggestion is under

consideration now. At the weekend Hollinger insisted: "We are friendly buyers. We have an excellent relationship with Lord Stevens and we wish it to remain so."

The company added: "This holding will not come as a surprise to Lord Stevens since Conrad Black recently informed him we would be likely buyers of United shares. Lord Stevens said we would be welcome as shareholders."

Sir James Goldsmith, the entrepreneur, has been among those rumoured to be interested in trying to take over United.

Meanwhile this week, Mr Max Hastings, editor of both the Daily and Sunday Telegraph, will be working out the dispositions of many of the staff following the decision to move towards seven-day production.

The move, generally unpopular with Telegraph journalists, has led to four resignations so far although two were already considering other job offers.

British go disco dancing in France

By Nikki Tait

WHITEGATE LEISURE, the recently-formed leisure company headed by Mr Nick Oppenheim and Mr James Naylor, yesterday announced the purchase of three discotheque businesses in France. Total consideration is approximately £2.5m.

Whitegate, whose shares are traded on the Third Market, is buying the Music Hall, St Jacques in Mulhouse for £695,000; Solitaires Club in Nancy, for £1.2m plus an additional £93,000 for stock and to discharge loans outstanding on the property; and the Grand Escorial in Nice.

In the last case, Whitegate is paying £250,000 for the fixtures and fittings, and buying a 50 per cent interest in the freehold property for around £93,000.

Whitegate is financing the three deals by the issue of an aggregate 7.62m new shares, plus paying small additional sums in cash. Some £2.7m shares issued in connection with the Mulhouse purchase, 3.57m for the Nancy deal, and 2m for the Nice business, have been conditionally placed at 27.5p each.

Storehouse

MR ASHER Edelman, the New York-based arbitrator, yesterday said that he had recruited a "retailer partner" who would run Storehouse, the UK retail group, if he ever gained control of it.

But the US corporate raider declined to confirm or deny any specific name.

Mr Edelman has been agitating at Storehouse - the group built up by Sir Terence Couran and staffed almost entirely by local nationals, often locally quoted with local minority shareholders and often with their distinctive names and traditions.

Midland, the third largest of the UK's clearers, has gone through a radical re-think of its international operations since its bloody retreat from the US market after the Crocker disaster in 1986.

Turning the focus on Europe

David Lascelles on Midland's re-think of its global operations

MIDLAND BANK is to stress its investment banking side as it prepares its strategy for the integrated European market of the 1990s.

According to Sir Kit McMahon, the chairman, Midland's recent expansion in Europe puts it in a position where it can claim to have the strongest pan-European wholesale banking presence of any British bank.

Midland's recent moves include the acquisition of absorption of branches belonging to the Hongkong and Shanghai Bank, its largest shareholder, and the purchase of a controlling interest in Eurofondi, a leading Italian merchant bank.

These were added to Midland's existing operations, which include majority stakes in several other banks, Triskaus & Burkhardt in Germany, Midland Bank SA in France and Handelsbank in the Netherlands. In a review of Midland's European strategy in its latest annual report, Sir Kit writes: "Our policy, followed without exception in each country, is for our operations to be deeply embedded in the local markets."

Mr Duggan said he intended to concentrate his UK property activities in Conrad, which would be involved in investment, development and trading.

All of Conrad's directors except Mr Neil Phoenix, chairman, and Mr Derek Hayes, have resigned from the board.

They will follow suit in May, although they will retain their shareholdings totalling 15.2 per cent. Three of the resigning directors will remain with Conrad in executive positions.



Sir Kit McMahon, chairman: competition bound to increase

the UK's clearers, has gone through a radical re-think of its international operations since its bloody retreat from the US market after the Crocker disaster in 1986. Under Sir Kit, Midland has teamed up with the Hongkong Bank and turned its focus to Europe, where it believes its strong local presence gives it a deeper penetration than many other foreign banks.

"We do think that 1992 means something," said Sir Kit. "We think customers will need more pan-European services. There is a sense in which there will be a single market, particularly in the wholesale markets."

Sir Kit said Midland had taken a fundamental decision not to buy "bricks and mortar" on the Continent because it believed that "acquiring

branch networks is not a good way to make money." Growing competition in the conventional banking market was bound to increase, leading to pressure on margins. Instead, Midland intended to concentrate on supplying services through its existing subsidiaries and branches, mainly to the corporate and institutional market.

However, Midland saw prospects for selling financial products to the personal market through arrangements with regional banks in Europe. These links might be cemented by small cross-shareholdings. The emphasis would be on liability products (deposits and savings) rather than on loans.

Midland would also tap the retail and executive market through Thomas Cook, its travel subsidiary.

Midland has already reorganised its wholesale banking side into a single division including international corporate banking and treasury as well as Samuel Montagu, its merchant banking subsidiary. From the standpoint of management, it is unusual among the clearing houses in having non-British executives in charge of its main divisions, other than UK banking. They include a Dutchman, a German and an Italian.

Sir Kit said Midland's biggest weak spot was in Spain, where it only has a branch in Madrid. If a suitable acquisition came up, Midland would consider it, he said. Mr Rodolfo Bogut, the head of international investment banking who chairs Midland's 1992 steering committee, said he expects the European market to make a "material contribution" to the Midland group's earnings. But he said that development of these operations would also point to the hidden value in Midland's existing operations on the continent.

Midland's approach to the integrated market is more sensitive than that enunciated by other clearers. Barclays has said it intends to build on its European branch network to provide commercial banking services, particularly trade finance.

It will also supply cross-border investment banking services and possibly retail financial services through Barclaycard. National Westminster is also building up a branch network on the continent, and is seeking partners to market selected products.

Bilston falls to £0.3m after increased costs

Bilston & Battersea Enamels finished 1988 with pre-tax profits of £214,000, against £569,000.

Earnings worked through at 4.9p (8.5p) and the total dividend is held at 4.2p with a final of 2.7p. The cost, however, is reduced as the directors are waiving 1.2p of their entitlement to the final.

Sales rose 9 per cent to £4.13m (£3.77m), which was insufficient to compensate for higher operating costs and overheads of the new factory.

In particular, pre-Christmas sales disappointed and the strong pound impeded the anticipated growth in exports, which represent over half the company's business.

Orders for the early part of 1989 were substantially ahead.

Transcontinental directors recommend Banner bid

By Clay Harris

INDEPENDENT DIRECTORS of Transcontinental Services Group have recommended a takeover bid from Banner Industries which values the Curacao-based but London-listed investment company at £94.2m.

Banner, a US engineering group, raised its stake in Transcontinental to 56.5 per cent earlier this week, triggering the bid under a 1967 agreement between the two companies.

On behalf of Transcontinental's independent directors, Mr Daniel Lebard said that although the company had made substantial progress over

the past year, future attractive investment opportunities which met its investment policy were likely to be limited.

The directors welcomed the opportunity for shareholders to realise their investments.

Banner is offering 256p in cash for each share, equal to 97 per cent of the unaudited fully-diluted net asset value on December 31 and 96.8 per cent of the estimated net asset value on February 28.

Banner is offering 119p for each warrant and will make "appropriate proposals in due course" to holders of convertible notes.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition: Compass Group (Section: Leisure) Europa Minerals (Misc.) Lyon & Lyon (Motors-Cars) NFC Var, Vtg. (Industrials) Willonghby's Cons. Prf. (Mines-Central African)

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering resolutions. Official indications are not available as to whether the dividends are interim or final and the divisions shown below are based solely on last year's investments.

YORKLY: Imbure - Castle Combs, Oakroy Homes, Melville, Murray Electronics, Pender-Dorset & Fountain, British System, Derwent Valley, Friendly Estates, Lopen, Marley, Miller (Stanley), Monument Oil & Gas, Scottish Venture, Super A Franchise, Sunstrom, Technology Project, Willis Faber.

Table with 2 columns: COMPANY and DATE. Includes entries like British Empire Securities (Apr. 21), Highland Distillers (Apr. 10), etc.

FT Books

Guides to Investment and Financial Planning 01 799 2002 for details

PROVIDENT MUTUAL LIFE ASSURANCE CO. ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of the Association will be held at the Barbican Square, London, EC2V 3SL, on Wednesday 19 April at 12.30 pm, to include the following:

- 1. To adopt the Report and Accounts for 1988. 2. To re-elect Mr Peter Baring as a Director of the Association. 3. To re-elect Mr Colin Edward Hughes as a Director of the Association. 4. To re-elect Mr Brian Richardson as a Director of the Association. 5. To re-elect Mr John David Neville as a Director of the Association. 6. To confirm the appointment of Mr Simon Manning as a Director of the Association. 7. To re-elect Mr Robertson as a Director of the Association. 8. To reappoint Mrs Wainman as Auditor of the Association to hold office until the conclusion of the next Annual General Meeting. 9. To fix the remuneration of the Directors. P. Norton, Secretary March 1989. Provident Mutual Life Assurance Association, Head Office and Registered Address 25-31 Moorgate, London EC2R 6RA.

SCOTLAND INTERNATIONAL FINANCE BV

US\$100,000,000. Guaranteed Floating Rate Notes 1992. For the six months from 28th March 1989 to 27th September 1989 inclusive the Notes will carry an interest rate of 11 1/4% per annum. The relevant interest payment date will be 28th September 1989. Coupon 16 will be for US\$282.71. Agent Bank: Barclays Bank PLC, Stock Exchange Services Department, 54 Lombard Street, London EC3P 3AH, Member of I.M.C.O.

NOTICE

SUMITOMO CONSTRUCTION CO., LTD. U.S.\$50,000,000 3 per cent, 1992 with Warrants to subscribe for shares of common stock of Sumitomo Construction Co., Ltd. To the holders of the above-captioned Warrants: You are hereby notified that, as a result of a free distribution of shares of common stock of Sumitomo Construction Co., Ltd. to the shareholders of record as of 31st March, 1989, Japan time, at the rate of 0.1 shares for each share held, the Subscription Price of the above-captioned Warrants will be adjusted pursuant to Condition 7 of the Warrants under the Instrument dated 27th August, 1987 from Yen 656 to Yen 598.40 per share, effective as from 1st April, 1989, Japan time. The date of issue of the shares to be issued upon such free distribution is 1st May, 1989. SUMITOMO CONSTRUCTION CO., LTD.

Santa Barbara Savings and Loan Association

U.S. \$400,000,000 Collateralized Floating Rate Notes due September 1996. Notice is hereby given that the Rate of Interest has been fixed at 10.5625% p.a. and that the interest payable on the relevant Interest Payment Date, September 28, 1989 against Coupon No. 9 in respect of US\$100,000 nominal of the Notes will be US\$2,699.31. March 28, 1989, London. By: Citibank, N.A., (CSSI Dept.), Agent Bank. CITIBANK



Malaysia U.S. \$600,000,000. Floating Rate Notes due 2015. For the six month period 17th October, 1988 to 17th April, 1989 the amount payable per U.S. \$10,000 Note will be U.S. \$477.14. The relevant interest payment date will be 17th April, 1989. Bankers Trust Company, London. Agent Bank.

U.S. \$100,000,000

Kemira Oy. Floating Rate Notes Due 1995 of which U.S. \$75,000,000 has been issued as the Initial Tranche. Interest Rate: 11 1/4% per annum. Interest Period: 28th March 1989 to 28th September 1989. Interest Amount per U.S. \$10,000 Note due 28th September 1989: U.S. \$565.42. Credit Suisse First Boston Limited. Agent Bank.

BAWAG BANK FÜR ARBEIT UND WIRTSCHAFT A.G.

US\$100,000,000 Subordinated Floating Rate Notes due 2000. In accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of Interest has been fixed at 11% per annum and that the interest payable on the relevant Interest Payment Date, September 28, 1989 against Coupon No. 9 in respect of US\$10,000 nominal of the Notes will be US\$562.22. March 28, 1989, London. By: Citibank, N.A., (CSSI Dept.), Agent Bank. CITIBANK

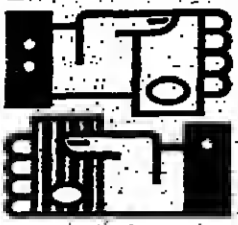
Advertisement for C. ITOH FINANCE (EUROPE) PLC. Includes logo, company name, amount (¥5,000,000,000), rate (7 1/2 per cent. Guaranteed Notes 1993), and list of agents like New Japan Securities Europe Limited and IBJ International Limited.

Advertisement for ARAB BANK LIMITED. Features logo, announcement of a change of address from Tuesday 28th March 1989, and contact information for London EC2R 6LP.

Advertisement titled 'TO ADVERTISE Property To Rent'. Promotes furnished lettings, company and Embassy lets, long and short term, available in the FT every Monday and Saturday. Contact: 01-875 4888.

Table titled 'FINANCIAL TIMES STOCK INDICES'. Columns include date (Mar 23 to Mar 28) and various indices like Government Secs, Fixed Interest, Ordinary, and FT-SE 100, with high/low values and percentage changes.

FINANCIAL TIMES SURVEY



The increasing globalisation of business has forced management educators to redefine

their roles. The accent now is on training executives who can operate internationally and across a diversity of corporate functions, writes Michael Skapinker

Multi-purpose managers

WHAT IS it that managers need to know? And can it be taught?

These questions underlie a variety of current efforts to improve the quality of management education and development in Europe. In Britain, the Management Charter Initiative and the Training Agency are attempting to define the various components that go to make up a competent manager. Some business schools both in the UK and on the continent are re-examining the ways in which they have traditionally taught their students. Is it enough to teach them the traditional managerial disciplines, like accounting and marketing, and then tack on an extra subject called human resources? Won't management in the 1990s be all about dealing with human resources, otherwise known as people?

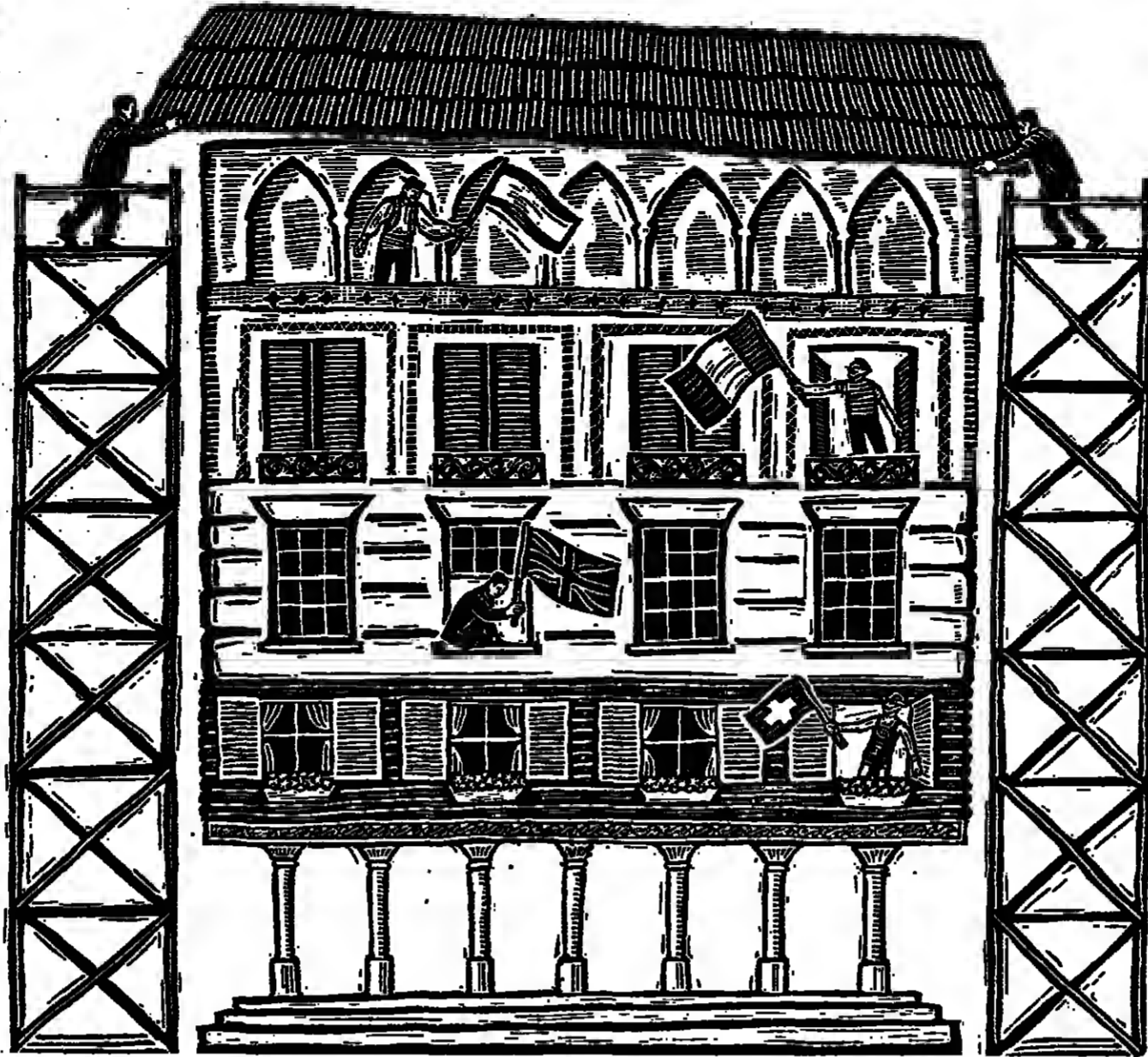
Companies, too, are looking at the money they spend on management development. Is it worth sending young managers away for a year or two to get a Master of Business Administration degree? Is there not a danger that they might be snapped up by competitors? And will the subjects that they are taught be relevant to the needs of the business?

Dr Juan Rada, director general of the International Man-

agement Institute in Geneva, accepts that many of the tools of management can be taught. "You can teach managers accounting," he says. "You cannot, however, teach them how to manage people. And managing people will, in the future, be one of the most critical things that managers need to learn. The 1990s is going to be people, people, people. And how to manage them is an extremely difficult thing to teach. That is something they have to learn for themselves. All you can do is create the conditions which make such learning possible."

Managers need to regard learning as a life-long activity, rather than something that takes place only at university or at business school, he says. Educational institutions can never teach them everything they need to know. Apart from anything else, experienced managers and management educators do not necessarily know anything more about the organisations that junior managers will inherit than those junior managers themselves.

"Our MBAs are about 30 years old now," Dr Rada says. "By 2000 they will be 40. They will have significant corporate responsibilities. We don't know what sort of world they will confront. They will have to be



MANAGEMENT development & education

taught less and learn more." But how do they learn more? The Association of Management Education and Development, an organisation of academics, consultants and company management development executives, believes that managers could best be helped to learn through "learning contracts". These would be negotiated between managers and their superiors and would outline learning experiences which, apart from being of benefit to the individual manager

would also further the strategic aims of the company. The contract might provide for the manager to attend a course. Or the manager and his or her company might consider other strategies for learning, such as secondment to another part of the group, or even to another company or, perhaps, to a voluntary organisation. Some companies have come up with specific strategies to help their staff to learn. The Institute of Personnel Management, in a book entitled *Con-*

tinuous Development, described the learning strategies of Idom, a Spanish engineering consultancy which decided that its staff needed to acquire an increased understanding of other organisations and of the world outside. To do this, Idom began to participate in consortia with other companies, some from outside Spain. One of the conditions of its participation was that other members of the consortium should help Idom staff acquire new areas of expertise.

Idom has also encouraged its staff to write case studies based on the company's work. These draw on the employee's own area of expertise. They are then discussed with staff from other parts of the company at a seminar. Four of these case studies are now used by a Spanish business school, the Instituto de Estudios Superiores de la Empresa in Barcelona. Other companies have made an attempt to map out all the competences that a manager

might need to develop. Cadbury Schweppes, the British soft drinks and confectionery group, has drawn up a list of 60 competences divided into six groups: strategy, drive, influence, analysis, implementation and personal factors. The strategy competence includes the ability to think critically and to be aware of the economic, social and political environment in which the group operates. Influence encompasses the ability to communicate both verbally and in writing. The personal factor competence includes the willingness to take unpopular decisions.

Cadbury Schweppes does not believe that all managers need to have all these competences. It accepts that some people will be better at some things than others. Its approach is somewhat different to that being adopted by the Management Charter Initiative. While Cadbury Schweppes does not believe that all managers need to have the same set of competences, the Management Charter Initiative, along with the Training Agency, is attempting to come up with a comprehensive list of competences required by all managers.

The Management Charter Initiative was set up last year in response to the Handy and Constable reports. The reports, which were published in 1987, painted a depressing picture of the state of management education in Britain. They said that British managers were less well educated than their counterparts in other industrial countries and called for radical action to remedy the situation. Those working on the Management Charter Initiative believe that their list of competences will enable managers to learn skills of more relevance to their jobs than the offerings of a conventional management course. The conventional management course, they say, offers courses based on the traditional functions of a company, such as marketing, finance and production. The Management Charter Initiative believes that these courses no longer reflect the way in which managers really operate. They need to be able to operate across these functional boundaries. People in finance need to be able to

understand marketing and vice-versa.

This view is now widely accepted. Mr Tex Smiley of IMI has called this form of management *SBM* - blurred boundary management. Like the Management Charter Initiative, he believes it is no longer enough to be simply a good finance manager or a good personnel manager. Managers need to have an overview of the entire business, as well as the environment in which it operates.

They also have to be able to operate across national frontiers and in multinational teams. It is no longer possible to leave each national subsidiary to get on with running the business in its own country. Managers in one country have to be aware of what their counterparts in other parts of the world are up to. Promising developments in one country might well be transferable to a different market. The increasing globalisation of business requires managers who feel comfortable operating internationally.

Critics of the Management Charter Initiative wonder, however, whether its work will really produce blurred boundary managers. A consultative exercise carried out by the initiative itself found that, while many British managers supported the research into competences, they were worried about the use that might be made of the results. In particular, they were concerned about plans to use the competences to create professional management qualifications.

The initiative's report on the consultation exercise said that many employers felt that the establishment of professional qualifications would "reduce flexibility and discourage innovation at a time when ability to adapt and change is paramount."

"Formal qualifications tend to make the holder resistant to change. It was argued that it was more important for individual managers to take responsibility for their own development through a personal development plan agreed with their employer."

This seems remarkably similar to Dr Rada's call for an environment in which managers can be encouraged to learn rather than simply be taught.

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Cover illustration: John Batten	

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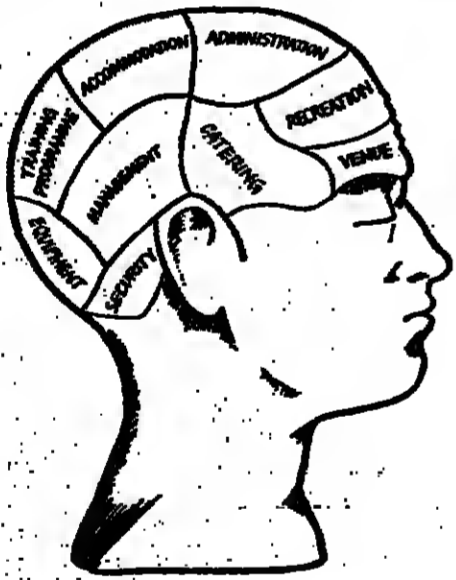


fig.1
Training without Style.

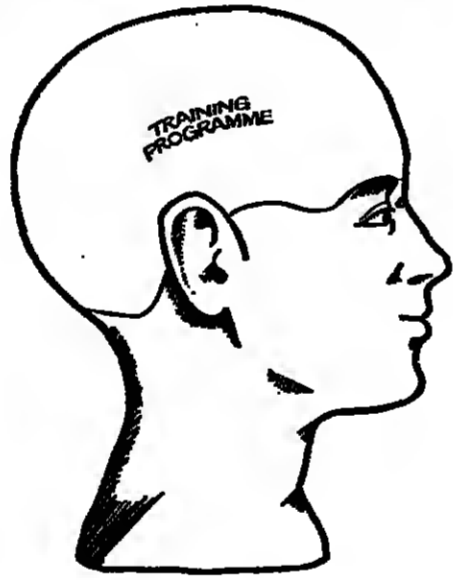


fig.2
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MANAGEMENT EDUCATION & DEVELOPMENT 2

Michael Skapinker on the new internationalism of Europe's business schools

On course for tougher competition

NEXT MONTH 20 Soviet managers will arrive at London Business School for a three week training course. The managers work in a cross-section of Soviet companies from food manufacturers to small science-based co-operatives to satellite and communications services.

The visit is something of a coup for LBS. All of Europe's major business schools dream of a day when their expertise will be just as relevant to managers in the communist bloc as it is to those in Western Europe.

The managers who are due to visit LBS are receiving financial assistance from, among others, the Department of Trade and Industry and the British Council. In general, however, visitors from the eastern bloc are likely to be few in number simply because of an absence of hard currency to pay for their courses.

Western Europe's business schools have, in any event, got plenty to keep them busy in their own back yard. The question of how to teach eastern bloc managers western business skills is a subject about which business school academics might speculate from time to time. Of more immediate



IMEDE complex at Lausanne

of our participants goes, we haven't had to change anything," he says.

All of which is not to suggest that the European business school sector will remain static over the next few years. IMI and Imede are merging to form what they hope will be Europe's answer to Harvard Business School. The new school will have a faculty of about 40 and two Master of Business Administration classes of 65 students each, as well as shorter courses for more experienced managers.

The merger will be completed by the beginning of next year. The process is unlikely to be an easy one, however. Both schools have had to compromise. The main campus will be Imede's premises in Lausanne. In return, the director general of the new school will be IMI's head, Dr Juan Rada.

Although some talk of the new school as Europe's answer to Harvard, the institution to which it will really pose a challenge will be Insead. Insead and the two Swiss-based schools have much in common. Although they all have their homes in French-speaking areas of Europe, their language of instruction is English. All three schools take an international approach to management issues.

Professor Naert says that he welcomes the merger of IMI and Imede on the grounds that

competition can only be good from schools like his own. His confidence is probably justified, if only because there appear to be more than enough students to go around. Over the past year, Insead has expanded its MBA programme to an intake of 430 students - an increase of 50 per cent. Despite the rise in places available, however, Insead can still admit only 15 per cent of those who apply.

Like their counterparts in the UK, the continental schools do not find it easy to attract staff. To deal with its large influx of students, Insead has recruited 23 new faculty members. It expects the figure to rise to 30 by the end of this academic year, bringing the total number of staff to around 75. Professor Naert expects the number of staff to rise to 85 by 1990. He admits, however, that many of the new recruits are recent graduates from doctoral programmes, mainly in the US. Most are European nationals, although the school has also managed to attract Americans, Indians and Koreans.

Professor Naert regards the appointment of Asian faculty members as being particularly significant. Becoming familiar with Asian management issues will be as important for European schools as acquiring greater knowledge of developments in North America and Eastern Europe, he says.

"Another challenge for the future will be the environment," he says. "Most business schools have only paid lip service to it up to now, but we're beginning to see that it's a real concern to the business community."

that they lack a sense of direction and common purpose.

Professor Bain, who turned 50 last month, says, however, that he does not intend to bang heads together at LBS. "Yes, it's true that many of the LBS staff are individualists, but that happens to be the characteristic of good academics. I don't want to stamp that out. The trick is how you give them enough room to express their individualism while persuading them to recognise the collective good," he says.

"I get the distinct feeling at LBS that people feel things could be better, that there's a need for change. I'm hopeful that as well as being individualists, people will see the need for teamwork."

"I don't think you can come into LBS and start ramming through changes unless they're broadly supported. My style will be to get a broadly-based consensus behind the things that I want to change."

Professor Bain is no stranger to the process of conciliation. His academic speciality is industrial relations and he has substantial experience as an arbitrator and mediator in industrial disputes.

He was born in Winnipeg, Canada, and came to Britain in 1963 to take up a Commonwealth Scholarship and Fellowship at Oxford. He found it difficult to adjust at first. Gradually, however, his affection for Britain grew and he decided to stay. He now holds both Canadian and British nationality.

Although his new job comes with a new house, Professor Bain intends to hold onto his home in Leamington Spa. "In as much as I've got a home now, the Midlands is my home," he says.

All the same, he is excited by the prospect of working in London. He believes that LBS's location is one of the best things it has going for it. Apart from being a political capital, "London is a financial capital, it's a commercial capital," international captains of industry pass through London routinely.

He also believes that being in London will help LBS to attract staff from other countries. "Many people would rather live in London than in Geneva, Lausanne or even Fon-

PROFILE: GEORGE BAIN

Barefoot in the Park



George Bain

maintaining the balance will be difficult.

"I think LBS has a very difficult row to hoe," he says. "I don't want to be critical in any way of Insead, but it doesn't pretend to be a French school. I don't think for a moment that LBS could ignore Britain. LBS has got to have a strong local roots, but with an international orientation. That's quite difficult, but it's not impossible."

One of the other differences between LBS and continental schools like Insead, IMI and Imede is that the London Masters of Business Administration course takes two years to complete. The MBA course at the other three schools takes only a year, as do the courses at most other British schools. Many British students at schools on the continent say that they did not go to LBS because they could not afford to be away from work for two years.

Professor Bain says, however, that he is not considering any reduction in the length of the London MBA. "There is undoubtedly a market for a two year MBA. People are queuing up to get into LBS. It's not everybody's cup of tea, but it does have a number of advantages. It's compatible with the top North American schools, so we can have exchange programmes. A lot of our students are also at a stage in their careers where they are changing direction. You can't really change direction in a year."

"I get the distinct feeling at London Business School that people feel things could be better. I'm hopeful that as well as being individualists, people will see the need for teamwork."

to spend part of their career in London.

Deciding just how international LBS should become has been one of the school's perennial problems. Professor Bain believes that while attracting faculty members from other countries is important for the future of LBS, the school should not lose sight of its British roots. He concedes that

Professor Bain says, however, that he is not considering any reduction in the length of the London MBA. "There is undoubtedly a market for a two year MBA. People are queuing up to get into LBS. It's not everybody's cup of tea, but it does have a number of advantages. It's compatible with the top North American schools, so we can have exchange programmes. A lot of our students are also at a stage in their careers where they are changing direction. You can't really change direction in a year."

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Juan Rada

He does not envisage the environment becoming a separate course on MBA programmes. Instead, he says, courses on product development will, for example, look at ways of coming up with products which do not harm the environment. Courses on marketing will have to take into account consumers' growing demand for environmentally acceptable products. "I see the environment becoming an integral part of existing courses rather than being a separate course," he says.

Another challenge for the continental schools is increasing the amount of research that they do. Traditionally, the schools have tended to use case studies and other materials from the United States. All three of the major continental schools accept that they have not done nearly as much to improve the quality and quantity of their research.

Insead's Professor Naert, however, says that schools like his "are beginning to have a more respectable record. We still have a long way to go, but we're much better than we were a few years ago. We don't have to be as ashamed about it as we used to be."

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MANAGEMENT EDUCATION & DEVELOPMENT 3

Companies are increasingly turning to consultants to tailor their training needs

Independents on cue to reap rewards

INDEPENDENT management trainers have probably benefited more from the increased resources devoted to management development than any other sector of the management education field.

As organisations have expanded into different markets, they have become more complex and multi-faceted in their activities. Their training needs have become more sophisticated and firm-specific. Training and development programmes are linked far more closely to mainstream business objectives, requiring specialist skills and knowledge that are difficult to recruit in-house and a level of tailoring which cannot be provided by open courses in traditional business centres.

Most groups providing training therefore work far more closely with organisations in identifying their requirements. Traditionally, training providers have been seen as simple deliverers of standard 'skills' courses," says Ms Jean Lammiman, a director of the London-based Human Resource Partnership.

"Now they are increasingly working alongside organisations at a strategic level, creating new ways of achieving management education. The learning is specifically designed to integrate with workplace needs with a clear view of achieving corporate objectives and the organisational shifts these require."

A sign of the sustained profitability of training provision is that, for the first time, training



Jean Lammiman

consultancies are being seen as an attractive proposition by venture capitalists. The increased demand for trainers greatly exceeds the supply. Most practitioners with any talent are keen to spend at least part of their time in lucrative consultancy activities and are reluctant to themselves to in-house personnel or training departments.

Players in the market are therefore diverse. Training and development features heavily in the human resource practices of major management consultancies. Leading firms such as PA, Price Waterhouse, Peat Marwick and Hays all have sizeable teams of consultants, specialising in tailored training directly linked to company programmes.

A mass of smaller firms either specialise exclusively in training services or devote considerable resources to this market. They include established

firms such as Wyatt, Harbridge, ODI, Interactive Skills and Training & Development Approaches; small partnerships of previously independent consultants such as the Human Resource Partnership and the Management Training Partnership; and niche players specialise in particular areas such as team building, strategic competence, IT skills training, marketing, financial management, people management, psychological assessment and outdoor training or other forms of action learning.

Although demand for technical skills training remains high, there has been a growing need for training in "softer areas" such as inter-personnel skills, people management, strategic competence and planning and team building.

Traditional management centres have also started to enter the market. The best example is Ashridge Management Development Services, created out of a variety of specialist activities undertaken by Ashridge Management College. Between 1986 and 1988, its client base more than quadrupled and it has an annual turnover of just under £1m.

Business schools have also proved a breeding ground for faculty members who engage in widespread independent consultancy to supplement their income.

"In this market, clients are often more loyal to the consultant than to the organisation," says Mr Tony Jackson, who balances independent work with his responsibilities as a



Alan Warner

senior lecturer at Cranfield School of Management.

"They get comfortable with the person because we talk the same language and understand the business. Clients often move with the consultant - something which enables us with our other suppliers to operate quite happily alongside the big firms."

The circumstances in which organisations turn to external consultants depend largely on the size of their in-house resource. Marks & Spencer, for example, has a large in-house facility and only buys to help when it lacks or cannot find internal expertise.

"Our relationship with training consultancies is very similar to that which we adopt with our other suppliers," says Mr Max Price, assistant manager, training and development. "We like to have a clear picture of what they offer. We like to 'try the merchandise

before we buy it," often by getting them to undertake a pilot programme. Once accepted, we do everything we can to support and develop their services and encourage them to use our name as a reference."

In contrast, Amerasia International has adopted a cautious policy of contracting out its training. "We took a decision to do away with internal trainers in the personnel function," says Mr Tony Waring, group personnel manager, development and resourcing. "Although we retain technical trainers on an operational level, we wanted to focus our time in personnel more effectively."

Like many other areas of personnel management, this means that internal training managers are increasingly buyers of services for their line departments, rather than practitioners in their own right. "I often act as a consultant to my own organisation," says Mr Rayno Maget, head of group training and development at Kleinwort Benson. "I have my own internal clients who pay

Training programmes are now linked far more closely to mainstream business objectives

the bill and ultimately call the tune."

Mr Maget emphasises that the transformation of training from a purely personnel concern to a boardroom issue means it is now regarded as a true investment and therefore subject to rigorous quality and cost control.

Professional standards among leading trainer providers have had to be upgraded and are far higher than 10 or even five years ago. "In the final analysis, it is professionalism rather than resources that separate the winners from the losers," says Mr Alan Warner, partner at the Management Training Partnership. "The ability of consultants to listen to their clients' needs, adapt their material and gear their style of delivery to managers' preferences will pick them out, whether they work for a large or small firm."

Michel Syrett

Michael Dixon on how managers operate

Intuitive feelings

"I WORK with men - men who tend to regard the use of intuition as suspect, female and unscientific," said the only woman among 70 top US executives questioned not long ago by Professor Weston Agar of Texas University's business school. She added that, while often relying on intuition in her work, she took care to hide the fact from her colleagues.

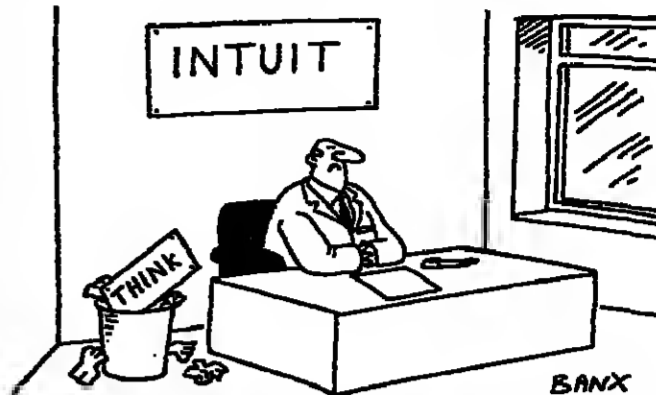
"If I revealed my 'secrets' I'd have an even harder time persuading them to accept my suggestions. They wouldn't regard my ideas or decisions as being properly rational. Yet they can justify the worst kind of screw-ups with a chart and a computer print-out."

What the woman executive did not know, however, was that most of the 69 male company chiefs the professor had studied were very much like her in their attitudes. All but one of them also admitted frequently using intuition in reaching decisions, and the majority were equally careful to keep it secret out of fear of destroying their credibility in the company.

The trouble is that in so upholding their credibility they were probably undermining their organisations' potential for innovation. For it is well known that what company chiefs seem to do - regardless of whether they do it in reality - has a powerful influence in determining what is and is not regarded as an acceptable way of getting things done to the ranks below.

Hence the myth that top management operates entirely by scientifically respectable methods tends to conceal the dogma that the same must apply at all other levels. And there is a good deal of research evidence that the result inhibits its effective innovation.

Take for instance the study made by the Geneva-based International Management Institute four years ago. The IMI researchers delved into the history of 73 successful innovations achieved in 39 companies in a variety of fields in Austria, France, Germany and Scandinavia. A particular aim was to test the efficacy of the respectable approach to innovation conventionally recommended by business school courses, which is usually called the "classical planning" method. It starts with careful analysis of markets to identify open-



BANK

ings for new developments. Then the work of creating the products and processes to fill the openings is allocated by senior management to people believed suitably qualified, together with the money and so on which the project can be rationally thought to justify.

The study found that although about one eighth of the 73 successful developments had been produced by classical planning, the great majority had been generated in a far less tidy way. They had begun with someone having an idea for a new product or process and only then going on to think up potential markets for it and so on. What enabled the

The IMI is hoping to make intuition respectable by getting executives to admit they use it

originators to have the idea in the first place, however, remained largely mysterious. The name the researchers gave it was "vision". But since it evidently consisted of the mental ability to piece together various notions which had evidently never been combined in quite the same way before, they might just as well call it "intuition" - the very process apt to be discouraged throughout whole organisations if their chiefs deliberately conceal that they rely on it. Having recognised the key role intuition plays in the running of companies, the IMI has taken its work on the process further. It is now mounting a large-scale programme with the aim of not only making

intuition managerially respectable by getting top executives to admit they use it, but of finding ways to enable managers of all ranks to use it to better effect.

The programme consists of a survey of 20,000 chiefs of organisations together with a complex of experimental and "action" research projects involving companies as well as academic and other organisations in eight different parts of the world.

They are West and East Europe, the US, Latin America, the Soviet Union, Japan, the five countries comprising the Association of South East Asian Nations, and India which has provided the programme with its leader.

He is Dr Jagdish Parikh, a prominent businessman with an apparently limitless supply of energy. Besides being an MBA graduate of Harvard Business School, he has a life-long training in the system of applied philosophy which has been studying and sharpening human intuition for over 2,000 years - yoga.

"In every one of the countries where we've told managers about the programme, we've received a highly encouraging response," he says. "Over 80 senior executives have offered to put company resources into helping the work in various ways."

"What's surprised us as well as particularly pleased us is that most of those we've approached have not just admitted relying on intuition, but are keen to learn to use it more effectively. Many said that whereas they used to need it because there wasn't enough information to guide them, they now need it still more because there's far too much."



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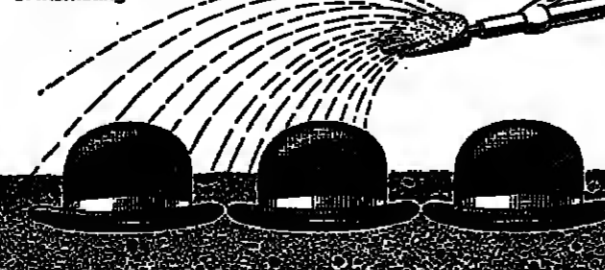
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MANAGEMENT EDUCATION & DEVELOPMENT 4

Business and educational cultures are merging in schools, writes David Thomas

Mission with formidable tasks ahead

MR DAVID Styan has been much in demand since he was appointed to lead the Government's School Management Task Force in November. "We've been deluged by people who would like to get involved. We've been presented with a vast number of ideas," he says. This response is hardly surprising, since Mr Styan's task force is tackling one of the few territories still unconquered by Britain's management training industry: the school system.



The 1988 Education Act provides strong impetus for more management training for school heads

And the territory is large. In Mr Styan's view, about 55,000 heads and their deputies in England and Wales, plus a similar number of other senior staff such as departmental heads and education administrators, could benefit from sustained management training. Fewer than a tenth have done so, but public funds of £24m are on tap over the next three years to wean schools onto the delights of management training.

Mr Styan, director of the Warrington-based North West Educational Management Centre, has been putting the finishing touches to his interim report, due on the desk of Mr Kenneth Baker, Education Secretary, by the end of this month.

The report will sift through options for a programme to take management education in schools onto a new level. Mr Styan hopes agreement can be reached on an action plan by the autumn.

The timing of this activity is no coincidence. The myriad provisions of the 1988 Education Reform Act, the most important educational shake-up for 40 years, are to be phased in over the next few years, requiring a huge exercise in the management of change by heads and their senior staff.

Moreover, dissatisfaction has been mounting with the gifted amateur approach to running schools - organisations whose

annual budgets often outstrip those of many local businesses. Only this month, for example, the official inquiry into discipline in schools, chaired by Lord Elton, pointed to the key role of headteachers in combating widespread classroom disruption: if called for management training for heads which would "pay particular attention to team building and the development of a whole school approach to promoting good behaviour."

The 1988 Act's provisions on local management of schools provide the strongest impetus for more management training. Education authorities in England and Wales have until this September to come up with proposals for the delegation of decisions to schools in their areas, with the new arrangements to be phased in by April 1993.

Responsibility for the great bulk of a school's spending, covering staff, books and equipment, and day-to-day running costs, including rates and rents, will be handed over to schools.

Governing bodies and heads will have real power over hiring and firing of staff, and will have to decide whether to put

cleaning, meals and ground maintenance out to competitive tendering. Moreover, heads will have a clear incentive to market their wares to parents and prospective parents. This is because at least three-quarters of their income will be tied to pupil numbers and parents are being given new rights to insist on the school of their choice - a deliberate attempt by ministers to mimic market forces.

Yet local management of schools is only the tip of the iceberg. Mr Styan has mapped out four other areas in which more effective management could help schools with changes in the pipeline:

- Appraisal and staff development. The Government is to insist that all education authorities phase in appraisal schemes covering all teachers in the next few years. Mr Baker has said these schemes will pay close attention to classroom management.

- National curriculum. Maths, science and English will be taught to some pupils in England and Wales according to the dictates of the new national curriculum from this September. Phasing in of the full curriculum will continue

throughout the 1990s, requiring a vast commitment to staff training.

- Testing. Simultaneously, schools will have to overhaul their procedures for evaluating children to meet the 1988 Act's requirement that all pupils are tested at ages 7, 11, 14 and 16.

- Governors and parents. New powers given to governors by the Government and the greater stress on parental choice mean headteachers will have to re-double their efforts to communicate with governors and teachers.

Some surprise candidates have already emerged to fill the training gap in schools. One is the 29,000-strong National Association of Head Teachers, the largest union for heads and their deputies. It has set up its own company, NAHT Management Development Services, to tap into the potentially lucrative market.

Mr David Hart, the association's general secretary, sees potential in four areas for delivering management training to his members. First, consultants could be employed by education authorities to hold training sessions for local groups of heads or for the senior staff of a school.

Second, heads and other senior staff could attend short courses of a day or weekend at, say, their local further education college or with a private sector training provider.

Third, longer courses, perhaps in blocks of five days, could be laid on for educators.

Fourth, and potentially most novel, a new "MBA (education)" degree could be established to encourage managerial excellence in schools: Mr Hart says a couple of universities are keen to launch such a course.

Mr Styan has been mulling over a string of similar initiatives, ranging from staff colleges for educational high fliers to a new accreditation scheme whereby educators could get some formal recognition for management training.

The biggest difficulty at present, Mr Styan explains, is finding enough experienced trainers. The ideal candidate would have a twin background in management training and in education, but typically the person who understands about management knows next to nothing about schools and vice versa.

Mr Styan believes that in time a lot of private sector trainers will be drawn in, but first they will have to go through the time-consuming exercise of learning about education.

He cites as an example Coopers & Lybrand, the consultancy firm, which has been expanding its expertise in schools from a base of consultancy work on the local management initiative.

Meanwhile, large companies such as British Petroleum and management centres such as the Bromley-based Sundridge Park have been opening up their training courses to heads and other teachers.

The business and educational cultures, for so long at loggerheads in Britain, are coming together.

High Street stores are supporting new MBAs

Designer degrees

THREE YEARS ago, Mr Brian Chandler, of accountants and management consultants Arthur Young, asked a major UK business school if they could design their Master of Business Administration degree to suit the needs of his organisation.

They declined to do so. "You must understand," they told him, "that the MBA is an academic qualification." The school insisted that candidates from Arthur Young would have to complete all its accountancy and finance courses, despite the fact that many of them already had a background in finance and accounting.

Eventually Arthur Young did find a business school that was prepared to provide a course to suit its own needs: the International Management Centre from Buckingham.

Since then, the number of business schools who have been prepared to offer specially tailored courses has increased. Last year, for example, the

even more radical concept: students on its company programme can study wherever they like. "We're running a supermarket," says Professor Hugh Murray. If students can find better courses at other

institutions, they are welcome to attend them. This particular MBA course is run by a consortium consisting of the business school, J.Sainsbury, American Express, the Stock Exchange and the Training Agency (formerly the Manpower Services Commission).

The City MBA is based on the view that it is not enough to teach managers a set of core subjects in the way that universities and traditional business schools do. Managers also need to learn how to apply that knowledge and how to develop themselves.

Each participant on the course has two tutors: an in-company "coach" and an external academic educator. Participants attend a two-day assessment centre to establish their business knowledge, skill and the level of self-awareness.

On the basis of this assessment, the coach and educator draw up, with the participant, a personalised learning programme, including the courses that the manager needs to follow. The three also draw up work assignments for the participant, which are carried out at work. If during the work assignment, the participant has to call on experts in a particular area, the coach finds an in-company expert and the educator comes up with an academic one.

"What we're trying to do, quite simply, is to customise," Professor Murray says. "We

customise not only to meet the needs of the company, but of individuals too. We try to cover the areas of knowledge that are usually covered in an MBA. But knowledge is not enough. To be an effective manager, you need not only to have the knowledge, but to be able to turn it into reality. There are three elements: knowledge, skill and self-development. The problem with traditional MBAs is they concentrate only on knowledge."

Michael Skapinker

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happy about giving them a year or two off.

To design a course to suit these organisations, Stirling set up a steering committee consisting of four major UK retailers: Marks & Spencer, Tesco, W.H. Smith and the Burton Group. The result was the launch last year of an MBA in retail and wholesaling. The course is also open to other companies.

Students on the course spend only three long weeks at Stirling. Staff from the university also occasionally visit them. For the rest of the time participants work on their own with the aid of written and taped material.

Apart from the traditional management course subjects, students on the MBA study topics such as stock control, retailing and wholesaling in other countries, retail location and design, and buying.

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MANAGEMENT EDUCATION & DEVELOPMENT 5

Secondment is now seen as an effective means of progression

Loan scheme with credit

AT A TIME when organisations are casting around for more effective ways of giving their senior managers a broader perspective of business, secondment is beginning to be seen in a fresher light.

Forward-looking financial, retailing and industrial companies, together with a growing number of key Government departments, now see the temporary full-time or part-time loan of an employee to another organisation as an extremely effective means of development of key professional staff.

Their approach contrasts markedly with the traditional UK perception of secondment as a one-sided gesture by community-minded employers that often serves as a convenient means of easing older employees into retirement and (at its most cynical) of off-loading surplus or unwanted staff.

The new philosophy is most vividly illustrated by the launch this month of the Government's Bridge Programme, which aims to create closer links between industry and government by seconding senior civil servants to commercial companies on short-term contracts, joint training programmes or as non-executive directors.

Changing attitudes to secondment are partly due to the more sophisticated management development needs of both industry and the public sector.

Many organisations find secondment a useful means of providing key managers with a broader outlook while maintaining career continuity with the parent company. The Prudential Corporation is a good example. Although their original use of secondment was motivated by the desire of former chairman, Mr Robert Carr, that the company should play a more active community role, Ms Jill Fowler, community affairs manager, finds it also brings significant benefits to the careers of secondees.

"A growing number of our secondees are directly linked to career progression," she says. "Although the match is always made on the basis of the individual's existing skills, we also look for assignments that provide a tangible development of their talents."

Ms Fowler's budget allows for 16 Prudential staff to be seconded at any one time, of which, at present, four work for enterprise agencies, two are involved in educational projects and one has just returned from the Royal School of Performing Arts.

The International Stock Exchange seconded people to collaborative organisations at a more senior level. The personnel department seconded a training manager to the City University Business School to help set up their recent consortium, MBA Programme, of which the Stock Exchange was a founder member. At present, another senior manager is on secondment to the Hong Kong Stock Exchange performing the important role of deputy chief executive.

The new perspective of secondment has been vigorously promoted in the past two years by Action Resource Centre (ARC), the main agency responsible for linking community organisations and interested employers.

ARC's director of secondment programmes, Mr Andy Powell, is keen to dispel the notion that community organisations are marginal and that periods of secondment need to be for a year or more. He points out that many voluntary sector bodies are involved in activities that offer considerable scope for improving managers' inter-personal and organisational skills, and that many can offer short-term flexible assignments tailored to meet the training needs of a company and secondees.

To this end, ARC launched a pilot scheme last June, COM-PAS, backed by the Home Office and Leicester Task Force, which offers clearly-defined assignments of between 10 and 200 hours for young managers. Companies already participating in the scheme include Marks and Spencer and GEC.

Last year, ARC collaborated with the Institute of Personnel Management in drawing up a code of practice to govern effective secondments. The code stresses that corporate management needs to play a more active role in agreeing secondment policy, that line managers should help to supervise and appraise secondees' performance and that personnel departments should ensure that all employees are made aware of the nature and benefits of the policy.

The code was issued partly in response to a 1987 study of secondment by the Centre for Employment Initiatives which suggests that staff are often suspicious of secondment — the fate of trouble-makers — and line managers resentful because it depletes their staff for no apparent benefit.

Michel Syrett

Training for small firms is critical, says Charles Batchelor

An essential survival kit



Derek Gissold who developed his speciality chemicals business with the help of a London Business School course

FORGET FOR a moment the management inadequacies of corporations and look at the problems which confront the small and medium-sized businesses. A small minority are set up by professional managers with experience of running parts of large corporations but most are established by people who have no management background and little inclination to learn even the basics of management techniques.

When the business starts to grow the pressures of keeping up with orders, expanding the workforce and juggling the cash flow mean there is little time to spend on management training. Fewer than one per cent of small firms take up any of the training courses on offer, according to government figures.

One entrepreneur who started out on previous months for firm crews notched up turnover of £60,000 before deciding he needed some management skills to run his business. His first experience of formal business training was a one-day course in basic accounting at his local enterprise agency.

"I just fell into it, producing food on a small scale, and up to now everything has gone into getting it going," he said. "Now we are set up I want to understand more about running the business."

A survey carried out a few years ago by the Forum of Private Business, one of the leading small business lobby groups, showed that 67 per cent of its members had never had any formal business training. Even more ominous was the fact that 58 per cent said they did not want any. Forum members have responded more enthusiastically to some of the training programmes introduced more recently.

It is not only a lack of time which prevents small business people from taking up training. Even if they could snatch the odd afternoon away from the office or the factory they are concerned about delegating responsibility during their absence.

But underlying these obstacles to training is an even deeper problem. Many owners of small and medium-sized businesses do not believe that formal training will improve the effectiveness of their operations.

"The British don't look to education to help them in practical terms, certainly not when it comes to starting a business," says one experienced management trainer.

To overcome these attitudes the Training Agency has, in recent years, been developing

managers would follow tapes and course books at home and also attend occasional workshops. This programme aims to combine the advantages of handy modules of training with a course which is relevant to the participant's own business.

Despite the problems of delivering management training to small and medium-sized companies the Government is pressing on with new initiatives. The Business Growth Training programme is due to start in April with the aim of training both managers and employees in smaller companies at a cost of £55m a year.

Training and advice for smaller companies are to be provided on a local basis in future by Training and Enterprise Councils. These are employer-led organisations which are to be set up over the next three to four years. They are intended to make programmes for small companies more relevant to local needs.

It remains to be seen whether these councils are effective. They have already been criticised for relying on the employers to provide training since the private sector is judged by some to have a poor record of training.

Another government initiative which has been mentioned in the past few weeks is the Management Action Briefing. This is intended to be a series of 25 briefing sessions held around the country during 1989 to bring a large 'host' company into contact with about 200 senior managers from smaller local businesses.

The intention is to stimulate an exchange of views on common business problems and issues such as design, quality and purchasing and supply. The first of these sessions was hosted by JCB, the excavator manufacturer, in March with further briefings planned at Boots, the pharmaceuticals retailer, and British Aerospace.

The small business sector is a notoriously difficult one to tackle for management trainers. Yet the impact of training can be dramatic. One in three start-up companies in Britain goes bust within three years. The Training Agency says its programmes can cut the mortality rate to just one in 10 over a two-year period.

None of these programmes by itself can be expected to reach more than a small proportion of the businesses for which they are intended. By their very diversity, though, they provide a range of options which, the trainers must hope, will appeal to a growing number of small companies.

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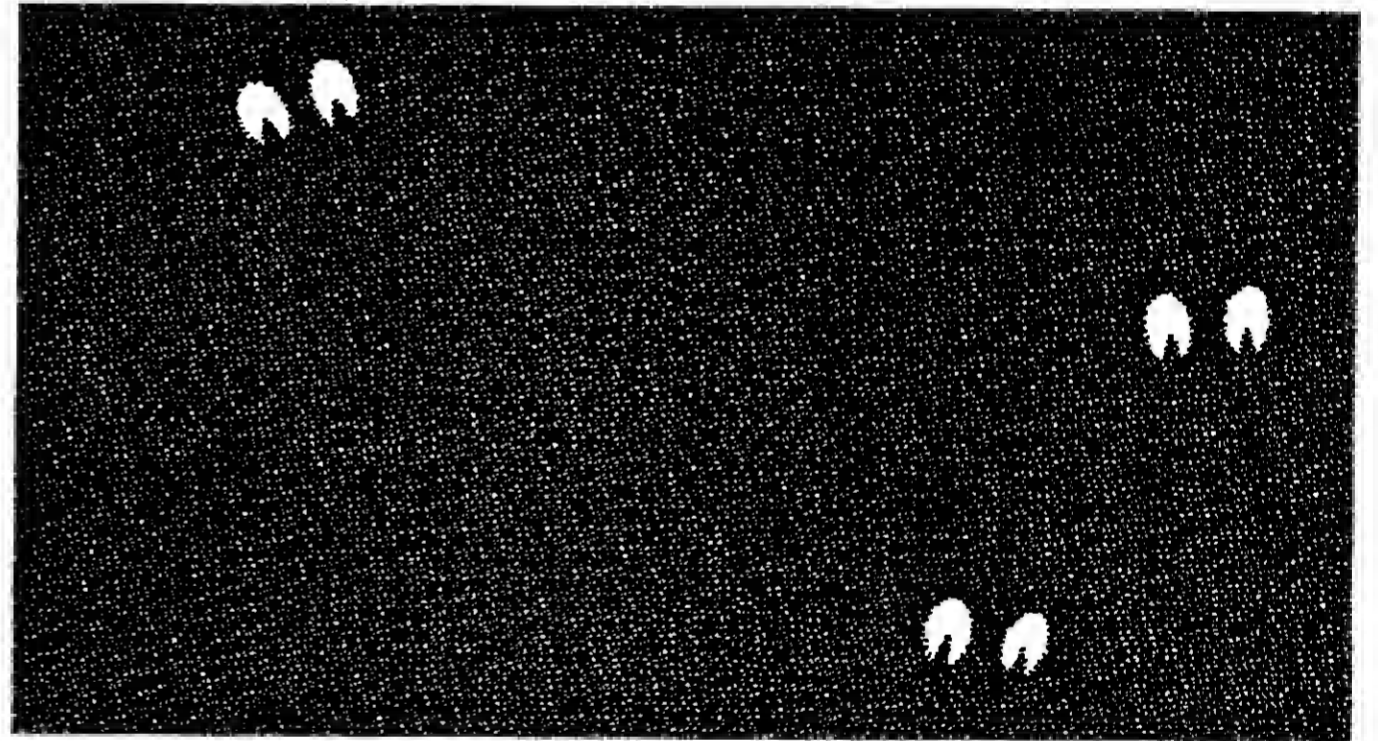
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CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Yen's decline may be short lived

THE BANK of Japan's absence from the foreign exchange, as other central banks have attempted to stem the dollar's advance, may indicate a variation on the European Monetary System theme, complete with alarm bells.

growing political scandal. Inflation could touch 3 per cent later this year, compared with 1.1 per cent in January, boosted by rising oil prices and any further weakening of the yen.

C IN NEW YORK table with columns for Date, Price, and Change. Includes Sterling Index and Euro-Currency Interest Rates.

CURRENCY MOVEMENTS table with columns for Country, Rate, and Change. Includes Sterling, Euro, and other major currencies.

STERLING INDEX table with columns for Date, Index, and Change. Shows historical data for the sterling index.

OTHER CURRENCIES table with columns for Country, Rate, and Change. Lists various international currencies.

EXCHANGE CROSS RATES table with columns for Currency, Rate, and Change. Provides cross-rates for major currencies.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR table with columns for Date, Rate, and Change. Shows dollar spot and forward rates.

MONEY MARKETS

Pressures ease as US data calm ruffled nerves

UPWARD PRESSURE on interest rates abated last week, as fears about tighter US monetary policy were not reinforced by the latest economic figures.

MONEY RATES

NEW YORK Treasury Bills and Bonds table with columns for Maturity, Rate, and Change. Lists various US government securities.

LONDON MONEY RATES

LONDON Money Rates table with columns for Instrument, Rate, and Change. Shows London interbank rates.

THE SUMITOMO BANK, LIMITED advertisement. Includes details about U.S.\$120,000,000 2% per cent Convertible Bonds 2000 and contact information.

FT LONDON INTERBANK FIXING table with columns for Instrument, Rate, and Change. Shows interbank fixing rates for various currencies.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FT-ACTUARIES SHARE INDICES table with columns for EQUITY GROUPS, Thursday March 23 1989, and Highs and Lows Index. Lists various equity groups and their performance.

FIXED INTEREST

FIXED INTEREST table with columns for PRICE INDICES, AVERAGE GROSS REDEMPTION YIELDS, and 1989. Shows yields for various fixed interest instruments.

LONDON RECENT ISSUES

LONDON RECENT ISSUES table with columns for Issue, Amount, and Date. Lists recent bond and stock issues in London.

RIGHTS OFFERS

RIGHTS OFFERS table with columns for Issue, Amount, and Date. Lists rights offers for various companies.

BASE LENDING RATES

BASE LENDING RATES table with columns for Institution, Rate, and Change. Shows base lending rates from various banks.

CROSSWORD No.6,894 Set by DANTE. Includes the crossword puzzle grid and clues for both Across and Down.

FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0695 4 + five digit code (listed below). Calls charged at 39p per minute-peak and 26p off-peak, inc VAT.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abbey Management Ltd, Abbey Trust, etc. with columns for name, manager, and other details.

Table listing unit trusts including Abbey Unit Trust, Abbey Management Ltd, Abbey Trust, etc. with columns for name, manager, and other details.

Table listing unit trusts including Abbey Unit Trust, Abbey Management Ltd, Abbey Trust, etc. with columns for name, manager, and other details.

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Table listing unit trusts including Abbey Unit Trust, Abbey Management Ltd, Abbey Trust, etc. with columns for name, manager, and other details.

GUIDE TO UNIT TRUST PRICING. Includes text explaining how to read unit trust prices, such as 'NETTA CHANGE' and 'UNIT PRICE'.

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FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0636 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Main table containing unit trust information, organized into columns for various categories like 'OTHER UK UNIT TRUSTS', 'INSURANCES', and various fund names with their respective prices and details.

INSURANCES

Table listing insurance companies and their unit trusts, including details like company names and unit prices.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0856 4 + five digit code (listed below). Calls charged at 30p per minute peak and 25p off peak, inc VAT

Main table containing unit trust information, organized into columns for various regions and fund types. Includes sections for 'MANAGEMENT SERVICES', 'OFFSHORE AND OVERSEAS', 'GUERNSEY (GR RECOGNISED)', 'LUXEMBOURG (GR RECOGNISED)', 'SWITZERLAND (GR RECOGNISED)', and 'BERMUDA AUTHORISED'. Each entry lists fund names, managers, and prices.

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الشرق الأوسط

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table containing FT Unit Trust Information Service data, including columns for Fund Name, Type, and various performance metrics.

Table containing London Share Service data, including sections for British Funds, Americans, Int. Bank and O's Eas, Corporation Loans, Commonwealth & African Loans, Foreign Bonds & Rails, and Money Market Trust Funds.

Table containing Money Market Bank Accounts data, including columns for Bank Name, Account Type, and Interest Rates.

LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0535 43 + four digit code (listed below). Calls charged at 30p per minute peak and 25p off peak, inc VAT

CANADIANS

Table of Canadian share prices including companies like Alcan, Inco, and various banks.

BUILDING, TIMBER, ROADS

Table of share prices in the building, timber, and roads sectors.

ELECTRICALS

Table of share prices in the electricals sector.

ENGINEERING - Contd

Continuation of share prices in the engineering sector.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

BANKS, HP & LEASING

Table of share prices for banks, hire purchase, and leasing companies.

CHEMICALS, PLASTICS

Table of share prices in the chemicals and plastics sectors.

FOOD, GROCERIES, ETC

Table of share prices in the food, groceries, and other sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

Hire Purchase, Leasing, etc.

Table of share prices for hire purchase, leasing, and other services.

DRAPERY AND STORES

Table of share prices in the drapery and stores sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

BEERS, WINES & SPIRITS

Table of share prices for beer, wine, and spirit companies.

BUILDING, TIMBER, ROADS

Table of share prices in the building, timber, and roads sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

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Continuation of share prices in various industrial sectors.

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Continuation of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Continuation of share prices in various industrial sectors.

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For Latest Share Prices on any telephone ring direct-0696 43 + four digit code (listed below). Calls charged at 39p per minute peak and 25p off peak, inc VAT

LEISURE - Contd

Table of share prices for Leisure companies including Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PROPERTY

Table of share prices for Property companies including Property Property, Property Property, etc.

TEXTILES - Contd

Table of share prices for Textiles companies including Textiles Textiles, Textiles Textiles, etc.

TRUSTS, FINANCE, LAND - Contd

Table of share prices for Trusts, Finance, and Land companies including Trusts Trusts, Finance Finance, etc.

OIL AND GAS - Contd

Table of share prices for Oil and Gas companies including Oil Oil, Gas Gas, etc.

MINES - Contd

Table of share prices for Mines companies including Mines Mines, Mines Mines, etc.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors and Aircraft Trades companies including Motors Motors, Aircraft Aircraft, etc.

TOBACCO

Table of share prices for Tobacco companies including Tobacco Tobacco, Tobacco Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land companies including Trusts Trusts, Finance Finance, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders companies including Overseas Overseas, Overseas Overseas, etc.

PLANTATIONS

Table of share prices for Plantations companies including Plantations Plantations, Plantations Plantations, etc.

MISCELLANEOUS

Table of share prices for Miscellaneous companies including Miscellaneous Miscellaneous, Miscellaneous Miscellaneous, etc.

COMMERCIAL VEHICLES

Table of share prices for Commercial Vehicles companies including Commercial Commercial, Commercial Commercial, etc.

COMPONENTS

Table of share prices for Components companies including Components Components, Components Components, etc.

FINANCE, LAND, ETC

Table of share prices for Finance, Land, and Etc companies including Finance Finance, Land Land, etc.

MINES

Table of share prices for Mines companies including Mines Mines, Mines Mines, etc.

THIRD MARKET

Table of share prices for Third Market companies including Third Third, Third Third, etc.

NOTES

Stock Exchange dealing classifications are indicated to the right of the securities names...

PAPER, PRINTING, ADVERTISING

Table of share prices for Paper, Printing, and Advertising companies including Paper Paper, Printing Printing, etc.

SHIPPING

Table of share prices for Shipping companies including Shipping Shipping, Shipping Shipping, etc.

SHOES AND LEATHER

Table of share prices for Shoes and Leather companies including Shoes Shoes, Leather Leather, etc.

OIL AND GAS

Table of share prices for Oil and Gas companies including Oil Oil, Gas Gas, etc.

FINANCE

Table of share prices for Finance companies including Finance Finance, Finance Finance, etc.

REGIONAL & IRISH STOCKS

Table of share prices for Regional and Irish Stocks companies including Regional Regional, Irish Irish, etc.

SOUTH AFRICANS

Table of share prices for South Africans companies including South South, South South, etc.

TEXTILES

Table of share prices for Textiles companies including Textiles Textiles, Textiles Textiles, etc.

PROPERTY

Table of share prices for Property companies including Property Property, Property Property, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land companies including Trusts Trusts, Finance Finance, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders companies including Overseas Overseas, Overseas Overseas, etc.

MISCELLANEOUS

Table of share prices for Miscellaneous companies including Miscellaneous Miscellaneous, Miscellaneous Miscellaneous, etc.

WORLD STOCK MARKETS

Table of world stock markets including sections for ASIA, BELGIUM/LUXEMBOURG, FRANCE, GERMANY, ITALY, SWITZERLAND, and JAPAN. Each section lists various stocks with their prices and percentage changes.

Table of world stock markets including sections for CANADA, FINLAND, GERMANY, ITALY, JAPAN, and SWITZERLAND. Each section lists various stocks with their prices and percentage changes.

Table of indices and active stocks. Includes 'NEW YORK DOW JONES' with a table of index values, 'INDICES' with a table of international indices, and 'NEW YORK ACTIVE STOCKS' listing various stocks and their prices.

Table of Tokyo - Most Active Stocks, Monday 27 March 1989. Lists various Japanese stocks and their prices.

Advertisement for Financial Times featuring a large image of a watch with the FT logo. Text includes: 'Don't let a day go by without it.', 'The Financial Times lets you keep a careful watch over all the international events that affect your business...', and 'Have your FT hand delivered... at no extra charge...'. Contact information: 14 East 60th Street, New York, NY 10022, (212) 752-4500.

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WORLD STOCK MARKETS

AMERICA

Dow edges ahead in slow trading

Wall Street

WITH LITTLE in the way of news to move prices and with bond and currency markets still subdued after the Easter weekend, Wall Street managed some minor gains in sluggish trading yesterday morning, writes Anatole Kaletsky in New York.

The Dow Jones Industrial Average opened slightly above its close on Friday and rose as much as 10 points by mid-morning. But the pace slowed around lunchtime and at 2:30 pm the Dow stood only 23 1/2 up at 2,348.57. Volume was modest with 58m shares changing hands on the Big Board, where the number of advancing shares almost exactly matched declines.

The bond and currency markets gave equity traders conflicting signals, as the dollar rose sharply while bond prices declined. But analysts were careful not to read much into either of these movements, on the grounds that European markets were closed for the day, making foreign exchange trading particularly thin.

Nov. 1988, the strengthening of the dollar, which rose as far as \$121.870 and \$132.50, was such that the Federal Reserve Board was rumoured to have intervened to buy both yen and D-Mark. However, the rumours of Fed intervention were dispelled by some dealers.

The bond market fell by as much as a quarter point at the long end and the Treasury's benchmark long bond traded at 96 1/2 at lunchtime, a price which yielded 9.24 per cent. Federal funds remained motionless throughout the day at 8 1/2 per cent and the Fed did \$1.5bn of customer repurchase agreements, a neutral move which was seen by analysts as a signal that the central bank was happy with the present structure of interest rates, at least for the time being.

The next big event that concerns investors in both the bond and equity markets was the meeting of the Federal Open Market Committee, due to begin in Washington this morning. But analysts on Wall Street were expressing growing confidence that no further monetary tightening would be considered necessary at this stage.

MOST European markets, together with Johannesburg, were closed for the Easter holiday yesterday. MADRID was open and rose slightly in thin trading, with the general index closing 0.43 higher at 378.46. Among blue chips, Telefonica led 2.75 percentage points to 181.25 per cent of par and Banco Popular rose 2 to 1,683.

monetary tightening would be considered necessary at this stage. Traders were already starting to eye the employment figures for March, due out on April 7, as the most important influence on the markets in the weeks ahead.

With trading essentially directionless in most issues, attention was concentrated on the few special situations and corporate announcements that emerged over the weekend. The day's busiest dealings were in American Medical International, the hospital company which announced a \$24 a share bid from one of its directors Dr M Lee Pearce. AMI

jumped 3 3/4 to \$21 1/2.

Exxon, caught in the midst of an environmental disaster, lost 3 1/4 to \$44 1/2, while other energy issues strengthened on news of higher oil prices. Chevron advanced 5 1/4 to \$52 1/2, while Schlumberger gained 4 1/4 to \$37 1/2.

Canada

SLUGGISH trading in Toronto left shares mixed at mid-session, with the composite index down just 0.67 at 3,548.22. Gold shares led, and the energy group of stocks was only slightly boosted by a surge in oil prices above US\$20 a barrel.

Declines outnumbered advances by 201 to 186 on very light volume of only 5.6m shares.

ISLE OF MAN

The Financial Times proposes to publish this survey on:

FRIDAY 26TH MAY 1989

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RHONE-ALPES

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

ASIA PACIFIC

Impending tax spurs profit-taking

Tokyo

PROFIT-TAKING on the last day before a new capital gains tax comes into effect, coupled with arbitraging by foreign investors, gave some measure of excitement to a fairly lifeless session yesterday, writes Michiko Nakamoto in Tokyo.

The Nikkei average, which managed to sustain a moderate gain for most of the day, lost its later trading to close down 56.12 at 31,512.40. Arbitraging by foreigners was cited as a reason for the fall. The day's high was 31,717.15 and the low 31,505.20. Declines led advances by 613 to 317, with 165 issues unchanged. Turnover at 630m shares was marginally up on Friday's 631m. The Topix all-share index shed 8.57 to 2,364.38.

Among losers, Nippon Telegraph and Telephone, the huge telecommunications company that has been shaken by the Recruit share sale scandal, closed at a new low of ¥1,530m. This is way below last year's

third tranche issue price of ¥1.5m and even some way below the original issue price of ¥1.5m which investors had long expected to be a low for the shares.

NTT's shares have been depressed ever since it emerged that former executives were involved in the Recruit affair, and particularly the former chairman, Mr Hisashi Shinto, on charges of accepting bribes from the Recruit group.

Investor confidence was further undermined yesterday by growing expectations that Mr Shinto would soon be indicted. Concern that the scandal would damage the company's future business and hurt profits also led to an increasing loss of confidence in the recovery of NTT's shares. "There is no knowing how far the price will fall," said Mr Norio Watanabe at Credit Suisse Investment Advisory Co.

Steels suffered from a further weakening of the yen against the dollar. Nippon Steel, top of the most active

list with 23.4m shares traded, dropped ¥3 to ¥84. Kobe Steel, which was second with 19.8m shares, lost ¥2 to ¥84.3. Sumitomo Metal was down ¥2 to ¥78.1, also in heavy trading.

Construction companies, which have posted substantial gains recently on expectations of a long-term boost in business due to infrastructural investment, firmed again yesterday. Many construction issues had lost ground in the past few sessions as individuals sought to take profits before the start of a new capital gains tax to be imposed on transactions from today.

Fujita, third most actively traded with 17.2m shares, added ¥3 to ¥2,160. Okamura, selected for its participation in several large-scale redevelopment projects in western Japan, including the Kansai International Airport near Osaka, rose ¥10 to ¥2,940.

Pharmaceuticals advanced on buying by investment trusts which picked them, as logging blue chips. Yamanouchi rose ¥8 to ¥3,450 and both Takeda

and Daiichi Sankyo added ¥70 to ¥2,330 and ¥2,750 respectively. Dainippon Pharmacy gained ¥50 to ¥2,250.

Investors remained unenthusiastic in Osaka and share prices suffered a moderate downturn. The OSX average lost 98.48 to 29,728.88 and turnover fell to 142m shares against 150m on Friday. Steels were sold with NKK losing ¥17 to ¥73.

Roundup

MARKETS in Australia, New Zealand and Hong Kong were closed yesterday. SINGAPORE gained 1.67 points, with the Straits Times industrial index rising 3.17 to 1,183.50 in very active turnover of 106m shares.

Trading was again dominated by small investors, with City Development warrants rising 8 1/2 units traded and rising 1/4 cent to 34 cent. TAIWAN saw a sharp rise in record turnover of 1bn shares worth \$83.6bn. The weighted index finished lower for the first time in six sessions, down 114.84 at 7,282.88.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for Regional Markets (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA), Friday March 24 1989, Thursday March 23 1989, and Dollar Index. Includes sub-headers for US Dollar Index, Day's Change %, Point Starting Index, Local Currency Index, Gross Div. Yield, and 1988/89 High/Low. Also includes a section for EUROPEAN AND REGIONAL MARKETS with similar columns.

Base values: Dec 31, 1984 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ index); 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ index); 114.45 (Pound Sterling) and 123.22 (Local). Copyright: The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited, 1987. Markets closed March 23: Denmark, Finland, Norway and Spain. Markets open March 24: Italy and Japan. Latest prices were available for this edition.

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INTERNATIONAL DIRECT MARKETING The Financial Times proposes to publish a Survey on the above on 18 April 1989. For a full editorial synopsis and advertisement details, please contact: Neville Woodcock on 01-873 3000 ext 3365 or write to him at: Number One, Southwark Bridge London SE1 9HL. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

BOSTON INCOME INVESTMENT FUND, SICAV 41, Boulevard Royal Luxembourg R.C. LUXEMBOURG B 28.287. Notice is hereby given that the extraordinary general meeting of shareholders will be held at the registered office of the Fund, Luxembourg, on April 13, 1989 at 4 p.m. with the following agenda: 1. Amendments of articles 1, 2, 5, 8, 9, 12, 14, 16, 17, 22, 23, 24, 26, 28 of the Articles of Incorporation of the Company in order to conform them to the law of March 20, 1988, more specifically to insert the investment policy and its variations such as announced by the said law. 2. Amendments of article 3 to be read as follows: Article 3 - Object The exclusive object of the Fund is to place the funds available to it in various securities of all types with the purpose of spreading investment risk and assuring its shareholders the results of the management of the Fund's portfolio. The Fund may take any measure and carry out any operations which it may deem useful in the accomplishment and development of its purpose to the full extent permitted by the law of 20th March 1988, regarding collective investment undertakings. 3. Conclusion of article 17. 4. Appointment of two new members of the Board of Directors, Mr. Peter J. ROBB, Vice-President, The First National Bank of Boston, Boston, U.S.A. and Mr. Kenneth B. INGRAM, Vice President, The First National Bank of Boston, Boston, Mass., U.S.A. The resolutions may be passed with a minimum quorum of fifty per cent of the issued shares by a majority of two thirds of the votes cast therein at the meeting. A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a shareholder of the Fund. A copy of the new version of the proposed articles of incorporation is available for inspection at the registered office of the Company where a copy may be obtained. By order of the Board of Directors.

BOSTON LIQUIDITY MANAGEMENT FUND, SICAV 41, Boulevard Royal Luxembourg R.C. LUXEMBOURG B 28.287. Notice is hereby given that the extraordinary general meeting of shareholders will be held at the registered office of the Fund, Luxembourg, on April 13, 1989 at 4 p.m. with the following agenda: 1. Amendments of articles 1, 2, 5, 8, 9, 12, 14, 16, 17, 22, 23, 24, 26, 28 of the Articles of Incorporation of the Company in order to conform them to the law of March 20, 1988, more specifically to insert the investment policy and its variations such as announced by the said law. 2. Amendments of article 3 to be read as follows: Article 3 - Object The exclusive object of the Fund is to place the funds available to it in various securities of all types with the purpose of spreading investment risk and assuring its shareholders the results of the management of the Fund's portfolio. The Fund may take any measure and carry out any operations which it may deem useful in the accomplishment and development of its purpose to the full extent permitted by the law of 20th March 1988, regarding collective investment undertakings. 3. Conclusion of article 17. 4. Appointment of two new members of the Board of Directors, Mr. Peter J. ROBB, Vice-President, The First National Bank of Boston, Boston, U.S.A. and Mr. Kenneth B. INGRAM, Vice President, The First National Bank of Boston, Boston, Mass., U.S.A. The resolutions may be passed with a minimum quorum of fifty per cent of the issued shares by a majority of two thirds of the votes cast therein at the meeting. A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a shareholder of the Fund. A copy of the new version of the proposed articles of incorporation is available for inspection at the registered office of the Company where a copy may be obtained. By order of the Board of Directors.

NOTICE OF PREPAYMENT Charbonnages de France (CdF) CDN \$ 40,000,000 Retractable Bonds due 1995. In accordance with paragraph "Prepayment at the option of CdF" of the Terms and Conditions of the Bonds, notice is hereby given that CdF will prepay at par, on the Interest Payment Date, i.e. June 1, 1989, the total amount remaining outstanding of the above-mentioned Bonds. Payment of interest due on June 1, 1989 and reimbursement of principal will be made in accordance with the Terms and Conditions of the Bonds. Interest will cease to accrue on Bonds as from June 1, 1989. Luxembourg, March 28, 1989. The Fiscal Agent KREDIETBANK S.A. LUXEMBOURGEOISE

SWITZERLAND The Financial Times proposes to publish this survey on: 25th April 1989. For a full editorial synopsis and advertisement details, please contact: Patricia Sarridge on 01-873 3000 ext 3426 or Gunter Breitling, Financial Times (Switzerland) Ltd, 15 Rue du Candrier, CH 1201 Geneva, Tel: (022) 311604, Telex: 22589. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

MAGAZINE PUBLISHING The Financial Times proposes to publish this survey on: 17th May 1989. For a full editorial synopsis and advertisement details, please contact: Neville Woodcock on 01-873 3000 ext 3365 or write to him at: Number One Southwark Bridge London SE1 9HL. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

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Crédit National FF 500,000,000 Guaranteed Floating Rate Notes due 1991. In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from March 22, 1989 to June 23, 1989 the Notes will carry an interest rate of 9.2875 % per annum. The interest payable on the relevant interest payment date, June 23, 1989, will be FF 287.35 per Note of FF 100,000 nominal and FF 2,875.47 per Note of FF 1,000,000 nominal. The Reference Agent KREDIETBANK S.A. LUXEMBOURGEOISE

GRANVILLE SPONSORED SECURITIES table with columns for Capitalization, Company, Price, Change on week, Gross Div. Yield %, and P/E. Includes companies like Am. Int. Ind. Corp., Am. Int. Ind. Corp., Am. Int. Ind. Corp., etc.

Citicorp Banking Corporation U.S. \$250,000,000 Government Floating Rate Subordinated Capital Notes Due July 10, 1997. Unconditionally Guaranteed on a Subordinated Basis by CITICORP. Interest rate 11 1/8% per annum with an interest amount of US\$100,000.00 per US\$100,000.00 note. March 28, 1989, London. By: Citibank, N.A. (CIS Dept.), Agent Bank. CITIBANK

NOTICE TO ADVERTISERS NEW FT FAX NUMBER From Monday 20th March The Advertisement Overseas Fax Number is: (01) 873 3079

Rothschilde Construction FF 200,000,000 Primary Capital Unsecured Guaranteed Floating Rate Notes. For the period from March 28, 1989 to September 28, 1989 the notes will carry an interest rate of 11 1/8% per annum with an interest amount of US\$100,000.00 per US\$100,000.00 note. The relevant interest payment date will be September 28, 1989. Banque Paribas (Luxembourg) S.A. Agent Bank. RHEWEL IS LIMITED. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices March 27

Main table of stock prices with columns for High, Low, and Change. Includes various stock tickers and their corresponding price movements.

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NYSE COMPOSITE PRICES

OVER-THE-COUNTER

Nasdaq national market
Apr prices March 17

Main table of NYSE Composite Prices. Columns include High, Low, Stock, Div. Yld., P/E, 52 Week High, 52 Week Low, and Close. Includes a section for 'Dividend Dates' with details on ex-dividend dates and payment dates.

Main table of Over-the-Counter prices. Columns include High, Low, Stock, Div. Yld., P/E, 52 Week High, 52 Week Low, and Close. Includes a section for 'Dividend Dates' with details on ex-dividend dates and payment dates.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices. Columns include High, Low, Stock, Div. Yld., P/E, 52 Week High, 52 Week Low, and Close.

Table of Over-the-Counter prices (continued). Columns include High, Low, Stock, Div. Yld., P/E, 52 Week High, 52 Week Low, and Close.

Advertisement for Athens: "Have your F.T. hand delivered... at no extra charge, if you work in the business centre of ATHENS Athens (01) 7237167"

Advertisement for Milan and Rome: "Have your F.T. hand delivered... every working day, if you work in the business centres of MILANO and ROMA Milano (02) 6887041"

Advertisement for "Travelling by air on business?" featuring airlines like Air Canada, American Airlines, British Airways, etc.

Advertisement for "Have your F.T. hand delivered... at no extra charge, if you work in the business centres of Lisboa & Porto Lisboa 887844"

INTERVIEW

Speaking voice of the Church

Roger Matthews looks at the influence of Cardinal Sin, Roman Catholic Archbishop of Manila

Sin is everywhere in Manila, at least according to the man who bears that name. "Many times here in the Philippines there are people who glorify sin," says Jaime Cardinal Sin...

Grace of God - even at the last moment, Mr Marcos. No one has been more assiduous in promoting this version of the Cardinal. The length and breadth of America has heard his emotional account of the story in which the Filipinos with their "People's Power" and the Church with its "Prayer Power" came together in holy alliance...

The issues of justice, mercy and compassion are again emerging strongly in the Philippines and with them increasing doubts about the effectiveness of Mrs Aquino's administration...



'During those days, everyone was touched by the Grace of God - even Mr Marcos'

He is probably, in national terms, the most politically influential Catholic priest in the world after, or even before, the Pope

elect house and senate; the judiciary has been re-established and a land reform bill of still questionable effect has been passed...

per cent of villages, and the minimal effect that Mrs Aquino's Government has had in easing these problems.

disagrees that it is growing rapidly, maybe at an annual real rate of increase of close to 3 per cent.

Manila. Certainly the economy is growing faster than at any time since Marcos left; it probably achieved close to 6.5 per cent growth last year.

All Baba (Marcos) had gone, the 40 thieves remained. He absolves Mrs Aquino of any blame ("she was given to us by God") but believes that the corrupt activities of people around her played a key role in creating the conditions which led to that coup attempt.

While he says that the Church should again withdraw from the forefront of political activity he insists that it has a duty to speak out on issues which affect the spiritual and moral life of the nation.

In short, Sin is likely to be as inescapable in the Philippines in the coming years as it and he has been for the past several years.

Need of trans-national law for trans-national mergers

There is growing need for a worldwide unification of national laws protecting competition and investors in securities was demonstrated again last week by US courts. The New York courts have intervened in a takeover battle situated outside the US borders...

ing market power is likely to affect adversely competition on the US market. Minorco denies this, arguing that there exists an important potential for new mining which would be started if the price of gold rose...



A.H. HERMANN

pledged by Gold Fields, it did not consider the US shareholders of Gold Fields numerous enough to deserve the court's protection. However, the appeal court thought that the proportion of US shareholders in the total number was less important than the clearly significant value of their holdings...

use to sell within 21 days the Minorco shares received by Gold Fields shareholders in part payment, thus flooding the market with 3.35m New Minorco shares while the US state of Michigan announced its intention to dispose of its 5.5 per cent stake in Minorco by 1994.

NOVO To the Shareholders of Novo Industri A/S The Company will hold its Annual General Meeting on Thursday, April 20, 1989, at 4.30 pm at the Company's headquarters, Novo Allé, Bagsvaerd, Denmark. AGENDA: 1. The Board of Directors' report on the Company's activities in the past financial year.

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